

78

LOW-INCOME FAMILIES

HEARINGS

BEFORE THE

SUBCOMMITTEE ON LOW-INCOME FAMILIES

OF THE

JOINT COMMITTEE ON THE ECONOMIC REPORT

CONGRESS OF THE UNITED STATES

EIGHTY-FOURTH CONGRESS

FIRST SESSION

PURSUANT TO

SEC. 5 (a) OF PUBLIC LAW 304

79TH CONGRESS

NOVEMBER 18, 19, 21, 22, AND 23, 1955

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LOW-INCOME FAMILIES

FRIDAY, NOVEMBER 18, 1955

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON LOW-INCOME FAMILIES OF THE
JOINT COMMITTEE ON THE ECONOMIC REPORT,
Washington, D. C.

The subcommittee met at 10 a. m., the Honorable John Sparkman, chairman of the subcommittee, presiding.

Present: Senator Ralph E. Flanders.

Also present: Grover W. Ensley, staff director; and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Let the subcommittee come to order, please.

I want to announce that the other member of our subcommittee, Representative Kelley of Pennsylvania, unfortunately is ill and, therefore, unable to attend these sessions. We are delighted that Senator Flanders is able to attend. I believe he has already been in attendance of some other subcommittee of the joint committee.

I may note these hearings were called in accordance with instructions contained in the March 14, 1955, report of the Joint Committee on the Economic Report, Senate Report No. 60, 81st Congress. At that time, the joint committee reconstituted the Subcommittee on Low-Income Families, which was originally established in 1949 during the 1st session of the 81st Congress.

I may add at this point that both Senator Flanders and I were members of that subcommittee.

The present subcommittee, building upon the findings of its predecessor, is continuing its study of the causes of low income. It may appear somewhat paradoxical to conduct a study of economic insufficiency during a period of rising national income, expanding productivity, and improved standard of living. While the Nation as a whole has improved its economic situation during the past decade, however, a significant portion of the population has not adequately shared in the overall advance in economic well-being. A study of Poverty in the Midst of Plenty may well shed new light on the reasons why some segments of our population are living at more or less permanently depressed levels of living.

I may add the further thought it might be the very time during which we can best find some way of helping this group help itself improve its economic status.

It will probably always be true that at a given time for one reason or another some individuals cannot completely support themselves or their families; these folks can be called technically unemployable. Nevertheless, many others with currently inadequate resources can be assisted in their efforts to improve their productive capacity and level of living.

Our hearings are focused on this central point—how to help the low-income groups to help themselves. A detailed public statement concerning the subcommittee's program for the hearings appeared a few weeks ago. I would like to insert this statement in the record, and without objection that will be done.

(The statement referred to is as follows:)

Revised November 18, 1955.

CONGRESS OF THE UNITED STATES
JOINT COMMITTEE ON THE ECONOMIC REPORT

Senator John Sparkman (Democrat, Alabama), chairman of the Subcommittee on Low-Income Families of the Joint Economic Committee, today released the program and the list of witnesses who will appear at the subcommittee's public hearings. The hearings will be held November 18-23, 1955, in room P-38, Senate district committee room, on November 18, and in room P-63, the Old Supreme Court Chamber, on November 19, 21-23—both meeting rooms in the Capitol.

Chairman Sparkman announced that in continuing its study of the problems of low incomes, the subcommittee's attention will be focused on ways and means whereby members of the low-income group can be assisted in their efforts to improve their earning power and level of living.

Within this general framework, the subcommittee's scheduled hearings will be directed toward the following topics:

1. The role of the Federal Government in promoting these goals.
2. The function and economic value of income-security measures, public assistance, vocational rehabilitation, and health programs.
3. The role of education and training programs in improving the earning capacity of the individual, and in breaking the cycle of self-perpetuation within the low-income group.
4. Measures designed to reduce chronic labor surplus and underemployment areas.

Senator JOHN SPARKMAN, Alabama, *Chairman*

Senator RALPH E. FLANDERS, Vermont, Representative AUGUSTINE B. KELLEY, Pennsylvania

Staff Economist, ELEANOR M. SNYDER

HEARINGS OF THE SUBCOMMITTEE ON LOW-INCOME FAMILIES, NOVEMBER 18-23, 1955

LIST OF INVITED PARTICIPANTS

Friday, November 18, morning session, 10 a. m.

Problems of low-income families:

- Marion B. Folsom, Secretary of Health, Education, and Welfare
The role of the Federal Government in assisting low-income families to increase their productive capacity, earnings, and level of living
Howard Bowen, president, Grinnell College
Leo Fishman, professor of economics, University of West Virginia
Howard B. Myers, research director, Committee for Economic Development
Robert R. Nathan, Robert R. Nathan Associates, Washington, D. C.

Friday, November 18, afternoon session, 2 p. m.:

- Review of current social insurance and Government welfare programs to increase economic security: Analysis of unmet needs:
Nelson H. Cruikshank, director, social insurance activities, American Federation of Labor
Reinhard A. Hohaens, vice president and chief actuary, Metropolitan Life Insurance Co.
Byron L. Johnson, professor of economics, University of Denver
Richard A. Lester, professor of economics, Princeton University
W. Arthur Simpson, commissioner, Department of Social Welfare, State of Vermont
Ellen Winston, commissioner, State Board of Welfare, State of North Carolina

Saturday, November 19, morning session, 10 a. m.

Increasing educational and training opportunities of members of the low-income population:

- Samuel Miller Brownell, United States Commissioner of Education
- Douglas W. Bray, staff associate, conservation of human resources, Graduate School of Business, Columbia University
- William G. Carr, executive secretary, National Education Association, Washington, D. C.
- Hugh Masters, director of continuing education, University of Georgia
- Roland R. Renne, president, Montana State College

Monday, November 21, morning session, 10 a. m.

Low-income families in depressed rural areas:

- A. The rural development program
 - Ezra Taft Benson, Secretary of Agriculture
- B. Helping low-income farm families help themselves: The role of land grant institutions, the Extension Services and community organizations:
 - May Cresswell, former State home demonstration agent, Mississippi Extension Service, Mississippi State College
 - Edith E. Lowry, executive secretary, division of home missions, National Council of the Churches of Christ in America, and
 - Lauris B. Whitman, executive director, bureau of research and survey, National Council of the Churches of Christ in America
 - Durward B. Varner, vice president, Michigan State College
 - Harry R. Varney, dean, College of Agriculture, Forestry, and Home Economics, West Virginia University

Monday, November 21, afternoon session, 2 p. m.

Rehabilitation of depressed rural areas:

- True D. Morse, Under Secretary, United States Department of Agriculture
- Dr. Frank P. Graham, chairman, National Sharecroppers Fund, Inc., represented by Fay Bennett, executive secretary, National Sharecroppers Fund, Inc.
- Charles E. Bishop, professor of agricultural economics, North Carolina State University
- John D. Black, professor of economics, Graduate School of Public Administration, Harvard University
- Olaf F. Larson, professor of rural sociology, Cornell University
- Erven J. Long, professor of agricultural economics, University of Tennessee
- William H. Nicholls, professor of economics, Vanderbilt University

Tuesday, November 22, morning session, 10 a. m.

Rehabilitation of depressed industrial areas: Illustrative rehabilitation efforts:

- Leonard P. Adams, director, research and publications, New York State School of Industrial and Labor Relations, Cornell University
- William Batt, Jr., executive secretary, Industrial Development Council, Toledo, Ohio
- Victor Roterus, Chief, Area Development Division, Business and Defense Services Administration, Department of Commerce
- Earl P. Strong, director, Bureau of Business Research, Pennsylvania State University
- Sidney C. Sufrin, professor of economics, Syracuse University

Tuesday, November 22, afternoon session, 2 p. m.

A paradox of modern economic society: The existence of chronically depressed industrial areas during periods of full employment:

- Elmer D. Conner, executive director, Louisiana Department of Commerce and Industry
- William H. Miernyk, director, bureau of business and economic research, Northeastern University
- Alfred C. Neal, first vice president, Federal Reserve Bank of Boston
- Stanley H. Ruttenberg, director, department of education and research, Congress of Industrial Organizations

Wednesday, November 23, morning session, 10 a. m.

Increasing employment opportunities, earnings, and income security of members of the low-income population: A summing-up:

James P. Mitchell, Secretary of Labor, represented by Ewan Clague, Commissioner, Bureau of Labor Statistics, Department of Labor
Solomon Barkin, director of research, Textile Workers' Union of America
Eveline M. Burns, professor of social work, New York School of Social Work

D. Gale Johnson, professor of economics, University of Chicago
Isador Lubin, industrial commissioner, State of New York
Margaret G. Reid, professor of economics, University of Chicago

DISCUSSION TOPICS

FRIDAY, NOVEMBER 18, MORNING SESSION, 10 A. M.

PROBLEMS OF LOW-INCOME FAMILIES

Secretary of Health, Education, and Welfare, Marion B. Folsom, will speak on the general topic of problems of low-income families.

The role of the Federal Government in assisting low-income families to increase their productive capacity, earnings, and level of living

The Employment Act of 1946 sets forth the responsibility of the Federal Government to utilize its programs and resources in a manner calculated to promote maximum employment, production, and purchasing power, and to foster free competitive enterprise and the general welfare.

1. Is the Federal program to increase productivity and earnings of the low-income group in particular compatible with this statement of national policy? Is there economic justification, aside from traditional social and welfare considerations, for the Federal Government to use the Nation's resources to increase the productivity and levels of living of low-income families?

2. In terms of maximizing output of the economy as a whole and achieving other Employment Act objectives, what are the criteria for evaluating Federal programs involving alternative uses of the Nation's resources? For example, what factors should be taken into account when deciding whether spending X million dollars in an attempt to rehabilitate a depressed area would produce greater economic returns in the long run than an income tax cut of the same amount?

3. Is the national interest best served by evaluating Federal programs aiding low-income groups on the basis of: (a) economic values, (b) humanitarian goals, or (c) a combination of both?

4. Our society accepts responsibility for providing economic assistance to those of its members who are unable to obtain a minimum level of living solely through their own efforts. Is there also a responsibility for actively assisting this group to increase its productivity and earnings?

FRIDAY, NOVEMBER 18, AFTERNOON SESSION, 2 P. M.

REVIEW OF CURRENT SOCIAL INSURANCE AND GOVERNMENT WELFARE PROGRAMS TO INCREASE ECONOMIC SECURITY: ANALYSIS OF UNMET NEEDS

1. Within the public welfare programs, how can efforts to help the recipient individuals or families to become productive members of society be maximized? What needs to be done to emphasize this function of public assistance?

2. Is provision for some minimum standard of income security for all Americans an appropriate national goal?

3. What level of security should we be aiming for? What factors are involved in determining the extent to which the Federal Government has direct responsibility for providing a minimum level of income security for those in need?

4. What are the existing gaps in Government-sponsored economic-security programs? What is the role of the Federal Government in closing these gaps and rounding out the social insurance and public welfare programs?

5. Is there economic justification for governmental rehabilitation programs? Should such programs be expanded?

6. Of the causes of income-loss and poverty now dealt with by public assistance programs, are there any which are insurable risks? To what extent, if at all, should the Federal Government participate in developing, financing, administering social insurance systems for risks currently not included in social-insurance plans?

7. Should Federal grants-in-aid be limited to the current categorical needs or should the present program be modified to provide Federal grants for general assistance to all those in need?

8. What are the most urgent health needs of the low-income urban and rural families? What can the Federal Government do in helping to make the necessary health care available to these groups?

9. If the current system for making Federal grants-in-aid for public assistance is altered to take account of the economic capacity of each State, would it aid more in remedying the low-income situation?

SATURDAY, NOVEMBER 19, MORNING SESSION, 10 A. M.

INCREASING EDUCATIONAL AND TRAINING OPPORTUNITIES OF MEMBERS OF THE
LOW-INCOME POPULATION

1. To what extent does lack of education explain why so many persons in the productive age groups have little or no earnings? Does the type of education received (apart from the number of years of schooling completed) affect future earning capacity?

2. Can the low-income problem be alleviated by increasing educational opportunities of members of the low-income group—adults as well as children? Is there economic justification for expenditure of Federal funds for this purpose?

3. Can the cycle of self-perpetuation of the low-income group be broken by assisting children in these families to remain in school for a greater number of years?

4. Should the concept of free public schooling for all children be extended to include the provision for financial assistance to those who, without such assistance, would drop out before completing 12 years of school because of the low economic status of their families? If so, how can such aid be extended, and by whom?

5. There is a substantial shortage of trained personnel in many scientific and professional areas; also, some federally aided programs are hampered by a lack of personnel competent to perform the services required. What can be done to overcome these shortages? Could a scholarship program serve the dual role of overcoming particular types of occupational shortages and of enabling members of low-income groups to receive training beyond the high school level? What is the role of the Federal Government in meeting this problem?

6. What kinds of incentives, if any, should the Federal Government offer to individuals and private enterprises to encourage their participation in scholarship programs?

7. To what extent does vocational training offer a means whereby members of low-income groups can improve their economic status? Do the current programs adequately reach low-income groups?

8. Does the low earning power of some individuals result from the fact that they are in the wrong job, in terms of their skills and potentialities? Is there a need for expanding vocational counseling services, particularly in the public-school systems?

MONDAY, NOVEMBER 21, MORNING SESSION, 10 A. M.

LOW-INCOME FAMILIES IN DEPRESSED RURAL AREAS

A. The rural development program

Ezra Taft Benson, Secretary of Agriculture.

B. Helping low-income farm families help themselves: The role of land grant institutions, the extension services and community organizations

In addition to Secretary Benson's testimony on the rural development program, members of this panel will discuss the general problems of low-income rural families in various geographic areas, the kinds of assistance available through the extension services, educational and other community services and facilities, and the relationship of such services in improving the economic life of the community.

MONDAY, NOVEMBER 21, AFTERNOON SESSION, 2 P. M.

REHABILITATION OF DEPRESSED RURAL AREAS

1. What causes depressed agricultural areas to develop? To what extent is their origin and continued existence due to the fact that the land is marginal or submarginal? To the fact that the scale of operation of many family farms is

too small to provide an adequate level of family living? To insufficient capital resources?

2. What kinds of adjustments would be required in resource allocation within agriculture to improve the economic status of these depressed areas? In resource allocation as between agriculture and nonfarm sectors of the economy?

3. Are the skills of low-income farmers readily transferable to other types of farming or to nonfarm occupations?

4. What part should efforts to encourage outmigration play in a total program to assist low-income rural groups? Is the long-run solution of the rural low-income problem contingent upon reducing the number of family farmers?

5. What types of training or retraining programs are required to increase productivity of the low-income outmigrants?

6. In dealing with the low-income rural problem would it be more rewarding to concentrate on direct services to the low-income farmers and farm families, or to emphasize rehabilitation of the area as a whole? Are the two approaches necessarily conflicting?

7. Should special emphasis be placed on establishing programs to help young beginning farmers? What particular kinds of aid do they need? Easier credit terms and greater access to credit facilities? Farm management and farm operation training programs?

8. Are depressed rural areas self-perpetuating? Why?

9. Is the rate of population increase a factor in the perpetuation of low-income depressed areas?

TUESDAY, NOVEMBER 22, MORNING SESSION, 10 A. M.

REHABILITATION OF DEPRESSED INDUSTRIAL AREAS: ILLUSTRATIVE REHABILITATION EFFORTS

Members of this panel will discuss the problems of specified areas of chronic unemployment, the causes for their development and continuing existence, and will describe efforts taken to restore such communities to higher levels of economic activity.

TUESDAY, NOVEMBER 22, AFTERNOON SESSION, 2 P. M.

A PARADOX OF MODERN ECONOMIC SOCIETY: THE EXISTENCE OF CHRONICALLY DEPRESSED INDUSTRIAL AREAS DURING PERIODS OF FULL EMPLOYMENT

1. What causes are responsible for the creation of industrial areas of chronic economic depression and their continued existence during periods of full employment?

2. Why do local resources in such areas fail to adjust to the changing needs of an expanding economy?

3. Is it possible that in the long run, depressed areas may be perpetuated rather than rehabilitated, because of palliative, emergency measures which tend to retard labor mobility? In terms of resource allocation, what kinds of measures would both alleviate current hardship and help build long-run economic stability in the area?

4. What criteria should be used to determine when outmigration of labor should form part of a larger rehabilitation program? And, alternatively, when should attempts be made—and how, and by whom—to attract new resources to the area? From the standpoint of the economy as a whole, in the long run is it economically desirable to offer special economic incentives to—

(a) Attract new capital resources to the depressed area?

(b) Retain the current population?

Specifically, what should be done, and by whom?

5. Do depressed industrial areas tend to be self-perpetuating, because of the declining level of family and community income, with the resultant decline in the adequacy of community facilities and limited local opportunities for training and economic opportunities of the younger generations? What should be done to restore or maintain an adequate level of community services?

6. What can be done to insure that efforts to attract new resources into the area will focus on the types of economic activity which in the long run best utilize existing local resources and potentialities?

7. To what extent can depressed industrial areas be rehabilitated by means of a purely local approach to the problem? How can efforts to rehabilitate particular economic areas take account of the current geographic trends in industrial migration? Should an attempt be made to reverse or alter these trends?

WEDNESDAY, NOVEMBER 23: MORNING SESSION, 10 A. M.

INCREASING EMPLOYMENT OPPORTUNITIES, EARNINGS, AND INCOME SECURITY OF MEMBERS OF THE LOW-INCOME POPULATION: A SUMMING-UP

James P. Mitchell, Secretary of Labor, represented by Ewan Clague, Commissioner, Bureau of Labor Statistics, Department of Labor.

In addition to Mr. Clague's testimony on programs of the Department of Labor which relate to low-income problems, the members of this panel will sum up the areas of discussion of the preceding panels.

Senator SPARKMAN. Meanwhile, I will just read to you the following very brief summary, and I quote from that statement:

In continuing its study of the problems of low incomes, the subcommittee's attention will be focused on ways and means whereby members of the low-income group can be assisted in their efforts to improve their earning power and level of living.

Within this general framework, the subcommittee's scheduled hearings will be directed toward the following topics:

1. The role of the Federal Government in promoting these goals.
2. The function and economic value of income-security measures, public assistance, vocational rehabilitation, and health programs.
3. The role of education and training programs in improving the earning capacity of the individual, and in breaking the cycle of self-perpetuation within the low-income group.
4. Measures designed to reduce chronic labor surplus and underemployment areas.

It has come to my attention that there has been some comment in the press indicating that this particular subcommittee's hearings are for political purposes. Now for my part, I want to stress that it is as nonpartisan, nonpolitical as it can be. I recall, as a matter of fact, that I made a similar comment back in 1949 at the beginning of the hearings held by the earlier Subcommittee on Low-Income Families. I want to repeat now what I said then. We are trying to get information relating to the economy of the country and it is not for the purpose of building up political propaganda or particular ammunition for either party. We are trying to get some facts that will be helpful to all of us in Congress, in Government, and in private life.

We feel that the economy as a whole will be benefited and certainly the low-income groups we are studying, if ways and means can be found to help these people improve their economic status.

This is the reason why the joint committee reestablished this subcommittee, and this is the reason we are here today.

As I said, I am delighted Senator Flanders is with us. Senator Flanders, before we start, I wonder if you have any comment to add at this time?

Senator FLANDERS. Only the briefest of brief comments. I cannot possibly see how the endeavor to help the low-income groups to help themselves can be classed as a political undertaking. Our first hearings—how long ago were they?

Senator SPARKMAN. 1949.

Senator FLANDERS. 1949, were certainly completely free of any partisan bias, and the record of those hearings, I think, will indicate that. This is not a partisan matter, but both parties may well rejoice in the opportunity to participate in making a contribution to the solution of one of the Nation's problems.

Senator SPARKMAN. Thank you, Senator Flanders.

We are indeed fortunate this morning to have with us the Secretary of Health, Education, and Welfare, Mr. Folsom. Mr. Folsom, we

are delighted to have you here. We should like for you to discuss the broad aspects of the problem we are studying during the course of these hearings. I may say that Mr. Folsom will not be able to stay throughout the entire session; following his testimony we shall have testimony and a discussion from a panel.

We are delighted to have you, sir, and we would like for you to proceed in your own way.

STATEMENT OF MARION B. FOLSOM, SECRETARY OF HEALTH, EDUCATION, AND WELFARE

Mr. FOLSOM. Mr. Chairman, Senator Flanders, I have a prepared statement which I will file, but I prefer to talk informally and cover the points.

Senator SPARKMAN. The statement will be printed in its entirety. (The statement of Mr. Folsom is as follows:)

STATEMENT BY MARION B. FOLSOM, SECRETARY OF HEALTH, EDUCATION, AND WELFARE

The low-income family is of deep and direct concern to the Department of Health, Education, and Welfare. In fact, most of the programs of the Department are directed toward removing causes of low income or giving assistance to those already in need. I am therefore glad to have this opportunity to review the general principles underlying our Federal programs, and to discuss the wide range of action in this field by Federal, State, and local governments, private employers, unions, and individuals. I will point out gaps that exist and steps that might be taken to close them.

The subcommittee's study comes at an excellent time. We are in a period of record high income for the people as a whole, but low incomes still persist for some. This is a challenging and difficult problem, which we may now pursue calmly and objectively with the hope of fruitful results. Where Federal action is called for, I know that Congress and this administration will continue to press vigorously for effective solutions to meet the human needs of people.

First, we should be clear on the basic philosophy which will guide our approach. This philosophy, I think, should recognize the sharing of responsibilities by the individual and the family, the employer, and the Government.

One of the strongest of American traditions is that the individual shall rely first on his own efforts to meet his own needs. The individual should seek to advance himself to the limit of his ability, and to provide protection for himself and his family in periods of adversity. In all our plans, both in Government and in industry, we must carefully avoid any move that would dampen individual initiative; rather, we must always encourage the individual to greater efforts on his own behalf. We have seen much progress, especially since 1940, as individuals on the whole have built more economic security than ever before—through greatly increased savings accounts, cash deposits, savings bonds, life insurance health insurance, home ownership, annuities, and investments in stocks and other securities.

The employer, too, has a deep responsibility. He should encourage individual advancement and assist workers in providing economic protection. Fortunately, there has been marked progress in recent years on the part of industry in developing plans in this field, often financed by joint contributions of employer and employee with the advantage of lower costs due to group rates. Many different types of plans have been developed—thrift and savings plans, profit-sharing plans, retirement systems, group life insurance, medical and disability insurance, and other health and welfare plans. These plans offer great advantages to the employer, the individual, and the Nation, and they should be expanded and strengthened.

Finally, there is the role of Government in this field of economic security: to encourage individuals and employers in their own efforts, and to provide basic protection where individual and employer efforts cannot be expected to do the whole job.

The keystone of Federal responsibility is to foster the proper climate for an ever-expanding economy—through credit, monetary, budget, and tax policies.

As these policies stimulate a healthy economic climate, then the combined efforts of employers and employees will provide a high level of stable employment, continuing increases in productivity, and a general rise in living standards. This movement upwards spells opportunity for the individual, the most vital factor in our national progress.

We have seen this economic process at work over the past 3 years. The economic and fiscal policies of this administration have been an important factor in creating more and better jobs; in fostering individual incentive and initiative; and in bringing stability to prices. All this is basic to the question of low-income families. With the general rise in living standards, many of those who formerly were in low-income groups have risen to higher levels. An ever-expanding economy, with increases in real earnings equitably distributed throughout the working population, is the most effective long-range way of reducing the problems of low income.

One more note about our basic approach. I believe strongly that all our policies and programs should have one emphasis: prevention and elimination of need rather than the mere relief of need after it develops. There are great opportunities for forward-looking, constructive efforts through more research, more trained social workers, more effective public health services, improvements in general education and in vocational training, rehabilitation of the physically handicapped, and promotion of thrift.

Causes

Within this broad framework, we need to identify and examine the basic and specific causes of low income and what has been done and should be done to meet the problem.

I would list six underlying factors, many of them interrelated:

1. Unemployment; lack of full-time employment; or employment at less than highest skills.
2. Old age.
3. Death of the family breadwinner.
4. Sickness and disability.
5. Broken homes.
6. Inadequate education and training.

Unemployment

Despite unprecedented national progress in providing job opportunities, some individuals and communities still suffer from unemployment. Employers, government, and individual workers must cooperate to provide more job stability in irregular and seasonal operations. We must develop new industries, new products, new processes, and new business to provide jobs for our growing population and to replace the work that becomes outmoded in the march of progress. Despite the progress we make in creating new jobs, we must nevertheless strengthen protection for those who still become unemployed.

First, unemployment compensation coverage should be extended in many States. This administration has urged Federal action to extend coverage if firms having any number of employees—from 1 on up. Congress made progress toward this goal with a new law, to take effect next January, extending coverage to firms with 4 or more employees. Twenty-three States, however, have taken action on their own to cover firms with 1 or more employees. We should cover small firms in all States, to extend this protection as a national policy to many workers who are excluded now. An individual suffers just as much from unemployment in a small firm as in a larger company.

Second, I believe some States should increase both the period of benefits and the level of payments. Many States have made progress in this direction, but others are lagging. The period of benefits should be lengthened to 26 weeks in States which have not yet taken this step. In some States unemployed workers exhaust their benefits too soon and use up their savings and must apply for relief, although they would still be eligible for benefits in other States. In some States benefits should be increased to bring them more in line with current wage levels, thereby enlarging this basic protection for the Nation's working force. The President has made specific recommendations on this point.

In addition to outright unemployment, there is the problem of employment at less than the full time desired by the employee, or in jobs that do not utilize the employee's highest skills. Government, workers, and employers must cooperate to provide the best employment opportunity and give the fullest benefits to the workers and the Nation.

Old age

One-third of our low-income families are headed by persons over 65 years old. In attacking the problems of old age, we contribute to the economic security and the happiness of many millions of persons now and in the years ahead.

The cornerstone of economic protection for the aged is the national contributory system of old-age and survivors insurance, which is playing an ever-increasing role as a bulwark to the national economy and a shield against individual want. About 6¼ million aged persons, or 4 out of 10 persons aged 65 and over, are now receiving OASI benefits. And the number is increasing steadily. This administration recommended and Congress approved last year a broad series of amendments, expanding coverage and increasing benefits and making other improvements. Nine out of ten workers are now covered. I remember well the argument 20 years ago, when social security was started, that this system would hamper individual initiative and bog down in redtape and staggering administrative costs. But the fact is that private, individual savings of all kinds have reached record levels, and the administrative cost of OASI has been amazingly low.

As OASI coverage has been expanded, and benefits increased, the number of aged persons forced to turn to public assistance has been reduced. Only recently a survey brought out these very interesting statistics: The number of persons receiving old-age assistance is only about 1 out of 10 in the age group 65 to 69. But the number is 1 out of 3 among those aged 80 and over. The proportion of aged persons receiving public assistance is about 66 percent higher in rural areas than in urban areas. Farm workers and operators were not covered by OASI until recently. These figures demonstrate the role of OASI in helping meet the low-income problem and in helping people to independence.

We look forward to continued progress. OASI should be extended to cover those who are still excluded. And we must always be willing to adapt the system to meet changing conditions, to make other improvements when needed. On the other hand we should remember the social-security system has remained sound because Congress over the years has rejected proposals that might weaken it. We must always be especially careful that proposals for new benefits will preserve the essential justice and strength of the system. We should remember there is a limit to the social-security taxes the people may be willing to pay to support the program in all the years ahead.

An encouraging development, I believe, is the great increase in company and workers' pension plans to supplement Federal OASI benefits. There are now some 13 million workers covered by private employee pension plans, and probably about 800,000 retired workers drawing benefits under such plans—about twice as many as 4 years ago.

Again, we must not rest on this progress—because more needs to be done. We need more private retirement plans, and we need improvements in many plans already in effect. More plans should give the employee vested right in the retirement system—a retirement income which he may retain even though he leaves the company before reaching retirement age. In many plans, the period of service required to establish this retirement right should be shortened.

Death of the breadwinner

In this country today, we have a total of public and private life insurance in force amounting to more than \$700 billion in face value. This is a powerful weapon against one of the tragic causes of low income, death of the family provider.

I think probably few of us realize that half of this great reservoir of protection is provided under the Federal OASI program. We need to appreciate more and be better informed about the benefits to surviving widows and children under OASI, benefits which extend up to \$200 monthly for a family.

Thus the recent expansion of coverage of OASI and the recommended further expansion are highly significant in meeting the problems of survivors, as well as the problems of old-age retirement. Another meaningful step forward has been the provision of group life insurance for Federal employees; 2 million workers now have \$10 billion of insurance, provided through the cooperation of 160 private companies, with the Government sharing the cost.

State and local governments should consider providing group life insurance for their employees. And private employers who still do not provide such protection should be encouraged to do so.

Sickness and disability

The impact of major illness or disability on an individual or family often means great economic strain as well as human tragedy. It is a major factor in the low-income problem. Not only does illness cost money in the form of payments for medical care, but it may also reduce or stop family income altogether.

The first line of attack on this problem is research into the prevention and treatment of disease. Scientific discoveries over the years have virtually eliminated, or greatly reduced, some of the diseases that have plagued mankind—smallpox, diphtheria, and typhoid. In the past 10 years we have seen the death rate drop 90 percent for influenza and 73 percent for tuberculosis and acute rheumatic fever. But today we find other cripplers and killers are increasing—heart disease, cancer, and arthritis, for example. And so now we must strengthen our research efforts in these fields. Further, we must increase our speed and efficiency in applying the fruits of research to the treatment of patients and to broad public health programs to prevent disease.

When sickness does strike the wage-earner, the first need is to provide continued income. The vast majority of workers now have protection against work-connected accidents. Many workers—two-thirds or more in some industrial States—also are covered by plans which provide some income during sickness or disability not connected with their employment. Four States—Rhode Island, New Jersey, California, and New York—now have State laws requiring employers to provide some degree of protection in this field. Other States should seriously consider adoption of these or similar plans. Congress should adopt legislation, proposed by the administration, to provide this insurance in the District of Columbia. Workers and employers also should cooperate in expanding and improving sick-pay insurance plans.

Another great opportunity lies in programs for restoring disabled workers to useful employment. It has been estimated there are now approximately 2 million persons needing vocational rehabilitation.

Over 850,000 disabled persons have been restored to useful work by this Federal-State program—almost 60,000 during the past year alone. This administration has recommended and Congress has approved a continuing major increase in Federal funds. Most of the States have responded with matching funds, but others need to do more. We must continue to advance this work that brings such big dividends both from an economic and humanitarian point of view.

The coverage of voluntary health insurance has expanded rapidly so that now more than 100 million persons have some protection against the costs of medical care. But we must continue this process of expansion and we must close some of the gaps in protection. One shortcoming is the lack of protection against the exceedingly high costs of protracted or especially severe illness, often called catastrophic illness. I believe there is a great opportunity here for expansion of the deductible principle of insurance, that is, the insured person pays routine small costs in order to get greater benefits covering exceptionally high costs. It is surprising how inexpensive this coverage can be with the deductible feature. It is encouraging to note a number of companies recently have adopted plans of this type.

Many of our older persons find it difficult to obtain health insurance protection, and there is also a gap in coverage in rural areas. This administration proposed a Federal reinsurance plan designed to improve voluntary insurance coverage in rural areas, of aged people, and of catastrophic illness. We are now studying possible improvements in this proposal and other methods for reaching the same goal.

The Federal Government should take the lead and set an example in the health insurance field by establishing a sound and adequate program to cover Federal employees.

As health insurance expands and improves, we must also provide adequate hospitals and other medical care facilities. The Federal-State program of hospital construction has left a high mark of progress in this field throughout the Nation and should be extended.

Broken families

Divorces, separations, and desertions are also causes of low income. It is estimated that there are more than 1 million women, with some 2 to 2½ million children in their care, whose homes have been broken by marital discord. Many of these women are untrained and can obtain only occasional low-paid work. They are unlikely to have insurance benefits which many widows and orphans receive, and because most of them are in young families they have not had a

chance to accumulate savings. The aid to dependent children program is helping to meet the minimum needs of some 22 to 26 percent of such families. What we do for these children today will determine to a large extent whether our American heritage of equality of opportunity will become a reality for them.

Increasing emphasis should be placed on better training of workers to provide services to help families solve some of the personal problems which cause dependency.

Inadequate education and training

A vigorous and effective educational system will provide one of the basic foundations for higher incomes, for more individual opportunity, and for prevention of want. Lack of education and training, which prevents the head of the family from reaching his full potential, is a fundamental cause of low income. Development of counseling, special vocational education programs, and other services are needed to help these persons reach economic independence.

It has been demonstrated clearly that the number of years of schooling has a deep and direct influence on the income level the average person is likely to reach.

Every study of the problem shows that pupils from low-income families are those most likely to drop out of school. Thus, there is a recurring and depressive cycle arising out of the low education-low income relationship. This cycle is particularly apparent in certain rural areas, which are being studied cooperatively by the Department of Agriculture's rural development program and the Office of Education in our Department.

Earlier this month President Eisenhower and I reviewed the administration's legislative programs on education. The President seemed very pleased with the great interest shown by many citizens across the country in the several thousand State and local conferences on education, and in the White House Conference on Education which starts November 28.

The President continues to feel strongly that sound and effective local, State, and Federal action is needed to eliminate the Nation's school classroom shortage. We have been taking a fresh look at the whole situation. The President and I have discussed a number of possible improvements and revisions which we are considering in the administration's proposals for Federal assistance. The President expressed hope we will find wide agreement in Congress, and among educators and citizens generally, on this important problem involving the welfare of so many children.

In summary, practically every program of the Department of Health, Education, and Welfare is related in one way or another to the problems of low-income families. Much has been done to attack the fundamental causes of low income, to prevent illness and deprivation, and to increase opportunities for the people. With close and positive cooperation on all sides, and with a continued favorable economic climate fostered by sound Government policies, I am personally convinced that we may expect steady progress in reducing economic dependency and the incidence of low income in this country. It is a mission to which the resources of the Department of Health, Education, and Welfare are wholeheartedly dedicated.

Mr. FOLSOM. The low-income family is of deep and direct concern to the Department of Health, Education, and Welfare. In fact, most of the approach of this Department is to prevent people from becoming low-income groups, or else relieving those already in need. So I am glad to have this opportunity to review our program, the general principles underlying our Federal programs, and also what the State and local governments, employers, unions, employees, individuals themselves, can do toward meeting this problem.

I would like to point out some of the gaps which exist in our present efforts and how we can close those.

I might say that I am personally glad to be here because I have been connected with this field for many years—about 30 years in the field of employee benefits, with about 20 years in the field of social security, dating back to the original Advisory Council on Social Security and other councils that have been working in the field since that time.

I agree with you that this study comes at the right time, a period of high prosperity. You can look at the problems of low-income families more objectively and without atmosphere of a crisis. I am hoping that good results will come out of this so that we can all agree on some constructive program that should be adopted.

Now I would like to indicate first the basic philosophy in this area. First, in this country, of course, our whole economy is based on the assumption that the individual is going to do everything that he can to look out for himself, rely on himself and to protect himself and family against the major economic hazards. Our Government plans and employer plans and all our plans should be geared into the individuals' own efforts. We should do everything we can to not hamper his efforts, and to encourage him to do what he can.

As a matter of fact, there has been a great increase in recent years in individual savings any way you measure them. Savings bonds held by individuals, savings accounts and other bank deposits, life insurance, annuities, investments and home ownership have all increased. About 56 percent, I think, of all nonfarm families now own their own homes.

You will find there has been a tremendous increase in individual savings, especially since 1940 which indicates that the individual is doing a much better job in looking out for himself.

The employer has played an important part and the unions also, in adopting group plans for the workers' protection—life insurance, annuity plans, health-insurance plans. The group plans are quite widespread now and they have the distinct advantage of low cost and low rate.

On the other hand, the group plans have some gaps. For instance, most of them cover the regular employees pretty well, but the shorter service employees often are not adequately covered. That is one of the problems we have to face. Also, we find that some smaller companies haven't done as well and some of the well-established companies haven't gone as far as they should.

The Government's role is really to provide the basic protection, where necessary, where the individual and employer and the unions working together cannot do the job. Where it becomes necessary for the Government to step in the Federal Government supplies the basic protection.

Before getting into details of these plans, I would like to point out first that I think the prime responsibility of the Federal Government is to foster the proper climate for an ever-expanding economy, through proper credit policies, monetary policies, budget and tax policies. If we do have the right climate, then the individuals and employers, working together, can provide a high level of employment, a steady increase in productivity and a rise in levels of living.

I think that process has worked in the last 3 years. I feel that the economic and fiscal policy of this administration has been an important factor in bringing about the increase in prosperity that we have had in the last 3 years, with more and better jobs. We have had stable prices, increases in real wages, a rise in living standards.

That process going along, is the best way in which we can reduce the problems for low-income families. We have seen in recent years many families brought out of low income into the middle and upper income groups, as this committee's staff report well brings out. I

think that has been particularly true, Senator Sparkman, in the areas of the country where I came from originally and where you live, down in the Southeast. I think you will find there has been more improvement in family income in the southeastern section of the country than anywhere else.

I do not intend to cover this field of economic and fiscal policy. I am no longer working in that field, so I don't want to get into it, except to say I think it is basic to the whole problem.

I also will not get into the question of agricultural low-income groups. I imagine the Department of Agriculture will cover that. I am not getting into the question of depressed areas because I know there is a special study on that, too.

Well now, I would also like to say as part of our philosophy that all programs and policies should be aimed at the prevention of need rather than to rely on relief after the person already is in need. There is great opportunity, it seems to me, for constructive programs in all these fields. We need more research, we need more trained social workers, we need more effective health services, we need improvement in educational and vocational training, we need more rehabilitation, and more in the way of promotion of thrift.

It seems to me that there are six underlying causes of low income. First we have unemployment.—

Senator SPARKMAN. Mr. Folsom, let me ask you something there: Would you rather complete your statement before we ask you questions?

Mr. FOLSOM. If it is all right with you.

Senator SPARKMAN. That is perfectly agreeable. I just wanted to know.

Mr. FOLSOM. Although if you want to, I have no objection.

Senator SPARKMAN. It doesn't matter to me.

Mr. FOLSOM. The six underlying causes of low income are, first, unemployment and underemployment or lack of full employment; second, old age; third, the death of the breadwinner; fourth, sickness and disability; fifth, broken homes; and sixth, inadequate educational training.

I would like to take up each one of those six causes and elaborate on them, and explain what we are trying to do and where the gaps are and what we might do to improve the situation.

As for unemployment, the big problem, or one of the big problems, is the question of stabilization of employment. We have irregular and seasonal unemployment. Good progress has been made in stabilizing employment in recent years, but there is still quite a lot to be done. Many companies have done an effective job and more and more companies are doing it. There have been quite a lot of publications on that subject showing progress but I feel that much can still be done by the individual employer himself.

When it comes to unemployment compensation, our system is doing a good job, but I think there are two things we ought to do: We ought to extend the coverage to employers of one or more. Congress made a step last year in reducing it from 8 to 4, but I think it ought to go farther, as the President recommended, down to 1 or more, because the employees of small concerns need it just as badly as employees of larger concerns. It is not an administrative problem because 23 States now cover employers with 1 or more. Some of them have had

quite some experience with said coverage. They are not finding it a difficult administrative job. Hence the ideal plan would be for the Federal Government to make it compulsory for all and the other States would come in line.

Senator FLANDERS. A housekeeper is an employer of one or more. We are already accumulating administrative experience now.

Mr. FOLSOM. You have these 23 States. I think some States are lagging behind in benefits, both in amount and duration. Some States have increased their benefits and duration in recent years, but others are lagging behind, and that is another area where we can have improvement.

When it comes to old age, we find that one-third of the families in low-income groups are headed by people over 65, so that if we do something about the old-age problem, we go a long way toward meeting the low-income problem.

Of course, the old-age and survivors' insurance program is the cornerstone of our effort. We find now that $6\frac{1}{4}$ million people, 47 percent of the men over 65, are now receiving benefits under the OASI system.

Senator SPARKMAN. Would you give that figure again?

Mr. FOLSOM. Six and a quarter million people over 65 are receiving benefits; 47 percent of the men, and 37 percent of the women over 65 are receiving OASI benefits.

We made, as you know, a number of improvements, very decided improvements, in the system in 1954. We brought in about 9 million more people. We liberalized the benefits in order to bring them up with the current wage and living conditions, and the system on the whole is in pretty good shape.

I might say that the fear that many people had in the early days about this system, that it would interfere with the urge of an individual to save and provide for himself, that you couldn't administer it properly and that you would get into a lot of redtape, have not been borne out.

As I indicated, individuals are probably saving more than they ever saved before. OASI hasn't interfered in any way with individual thrift, with the urge to save and provide for yourself. As far as the administration is concerned, the administrative cost is much lower than any of us expected. We thought in 1935 when we were working on the plans that if we got the administrative cost down to about 5 percent, we would be doing well. As a matter of fact, right now, the cost of administration is 1.8 percent of the receipts, or 2.5 percent of the benefits, which is a very low expense ratio.

We are finding also that as a result of the insurance plan fewer people are having to go on assistance. A study that we have just recently concluded, a big sample, indicated 1 out of 10 people now between 65 and 69 are on old-age assistance, or on relief. When you get to the upper age groups, 80 or over, the proportion is higher, 1 out of 3. These older persons haven't had a chance to be covered by old-age insurance; also as they get older they use up their income and savings. The proportion in rural areas also is interesting. The proportion of persons on old-age assistance is quite a little higher, about two-thirds higher in the rural areas and small towns than in metropolitan areas, because many rural people haven't been covered under old-age insurance until recently. We can see that the old-age insur-

ance plan is going to meet this problem more and more. If we keep the system up to date, in line with present conditions, we will go a long way toward meeting the old-age problem.

Company pension plans have increased quite rapidly since the OASI social security went into effect. We have now about 13 million people covered under these supplementary plans. I think about 800,000 retired workers are drawing these benefits.

However, there are difficulties in that field, that we are finding, not only in company pension plans, but also in all the other company plans. The regular employee is getting pretty well protected. He has steady work and good wages; he has a supplementary insurance plan, health insurance, and a life-insurance plan, but many of these plans do not cover the short-service employee, the fellow who works for one company a while and shifts around. These workers haven't much protection, especially through the pension plans. Most pension plans have a long period before a man attains a right to benefits which he can take with him when he leaves.

I think one of the things that companies should do is to lower the vesting period; if a man has been with them 5 years, and leaves, he ought to be able to take with him the annuities accumulated up to that time. By lowering the vesting period you will go a long way toward meeting the problem. It can't be done overnight, but over a number of years, the period could gradually be reduced.

Also, many companies which could very well afford to still haven't got a pension plan. Although most of them have found that it is a good business investment to have a pension plan.

The third area is the question of the death of the breadwinner. That is one of the principal causes of these low-income families. We just made an estimate of the total face value of insurance in this country now, private and public. Including a computation of the present value of the survivorship protection under the social security system, we find that it comes to a figure of \$700 billion. About half of that is the present value of survivorship protection under OASI system and the other half is private insurance. There has been a tremendous increase in recent years in life insurance.

Senator FLANDERS. Excuse me just a minute. I must say I have to go in a few minutes. That would give us 750 billion?

Mr. FOLSOM. \$700 billion.

Senator FLANDERS. What is the total number of wage earners?

Mr. FOLSOM. Between 60 and 65 or 67 million, including the self-employed.

Senator FLANDERS. 65 million goes into 700 billion a little better than a hundred dollars apiece, is that right? I may slip a point one way or another.

Mr. FOLSOM. Ten thousand.

Senator SPARKMAN. You didn't slip a decimal point. You slipped a zero.

Senator FLANDERS. I slipped in the direction which a naturalist would slip. I think that is a rather astonishing figure, that there is a \$10,000 equity on the average.

Mr. FOLSOM. That includes your individual policies, it includes industrial insurance, your group insurance, all of that, plus OASI.

Senator FLANDERS. Of course, it is not evenly distributed.

Mr. FOLSOM. No; I think one of the most recent additions to this was the Federal group life insurance plan which we put into effect last year. That brought in \$10 billion and covered 2 million workers. That plan is working out extremely well. We have 160 companies writing this insurance now.

Senator SPARKMAN. Let me ask you one question about the 700 billion.

Senator FLANDERS. I thought it was 70 billion.

Mr. FOLSOM. 700 billion.

Senator SPARKMAN. You are still slipping a zero. You are justifying your mathematics.

Mr. FOLSOM. That is the amount of the private life insurance, individual and industrial and OASI. It is about half and half.

Senator SPARKMAN. Did I understand you correctly to say that is the present cash value?

Mr. FOLSOM. No; the present face value. Assuming everybody is now protected in the system, if an individual should die his widow and children are entitled to so much benefit. Protection under OASI is figured about the same as it is in life insurance. You take the face value of the life-insurance policy, what the insurance company would have to pay in case you should die.

There is one gap in the system for Federal workers that we think ought to be filled: the short service employee in civil service has no survivorship protection. He hasn't any vested right either in the pension plan. We feel, as do those who are on the Kaplan Committee, appointed by the previous administration and carried through this one—that all the civil service people should be brought under OASI, and that they should also continue to have their separate civil service retirement system. The President passed that recommendation on to Congress. In that way, all the Federal workers would get the benefit of survivorship protection. At the same time, they would get the benefit of the annuity protection itself.

Senator SPARKMAN. Let me go back to that 700 billion figure. It is rather intriguing. I am not sure I understand the coverage. Did you say that included all private insurance?

Mr. FOLSOM. Yes; we take the total amount of private insurance, the individual policies, the group policies, the industrial policies, and OASI also.

Senator SPARKMAN. The point I really want to make is this: Senator Flanders asked you how many wage earners there are. Your figures cover the whole population and not just the wage earners.

Mr. FOLSOM. You can't divide that 700 billion by the 65 million.

Senator SPARKMAN. Because we were discussing that \$10,000 figure, I thought we ought to clear up the question of population coverage.

Mr. FOLSOM. I think the average face value of outstanding private insurance policies per family (including unrelated individuals) is a figure somewhere around \$6,300. If you add to that the survivorship protection under OASI, you get an average somewhere around twice as high, about \$13,000, compared to an average disposable personal income of about \$5,000 per year (per family as I mentioned before). This life insurance now in force provides protection equivalent to more than 2½ years of disposable income. This, of course, is not applicable to every family. It does not take into account family composition, noncoverage, etc.

I think the State and local governments also could consider providing group life insurance for their employees as the Federal Government does now.

The next major cause of low income is sickness and disability—a major factor in the low-income problem.

We are tackling this problem in the Department of Health, Education and Welfare through research into the prevention and treatment of disease. There has been tremendous progress in recent years through new scientific discoveries in the prevention and treatment of diseases in certain areas. A most striking example of what has been done is in the field of infectious diseases, through the use of antibiotics. I have some figures that show that in the last 10 years, from 1944 to 1954, the death rate from infectious diseases like TB, rheumatic fever, and so forth, have gone down 75 percent. I think I have the figures on individual diseases here if I can locate them.

Senator FLANDERS. May I interrupt at this point? That means a greater relative number of people living beyond the retirement age. Is that going to impose any strains on either the private or the public provisions for old age insurance benefits?

Mr. FOLSOM. Not in the insurance plan, it doesn't. Of course, the insurance companies are finding out that more people are reaching 65 than before, and some of their annuity plans cost them a little more than they did, but on the other hand, their life insurance plans are costing less, so you gain in one and lose on the other.

Senator SPARKMAN. There has always been a fairly substantial margin.

Senator FLANDERS. In the case of mutual companies, the policyholders get the benefit of the margin. I am saying that because I am a director of a mutual company.

Senator SPARKMAN. You are from New England where mutuals flourish.

Mr. FOLSOM. More people reach 65 but many work after 65 and don't start drawing on their retirement benefits. One of the ways in which we can lick this low-income problem is to make it possible for people to continue to work. You find now there is quite a trend, I think, away from compulsory retirement age, toward a more flexible retirement age. If they continue working they won't join the low-income group.

Senator FLANDERS. I took that problem into my own hands when I got to be 65 years old. I got a new job.

Mr. FOLSOM. Not many people are as lucky as you are, Senator.

Senator SPARKMAN. Coupling that thought, however, with something you said a while ago about civil service, have you ever thought of a method whereby a very vicious practice that has existed in civil service for a long, long time could be done away with—that is, the inability of workers below the retirement age to obtain employment, although his full benefit rights will not become effective within 15 years. In other words, so often we hear the complaint that a person 45 years, 50 years, or 55 years old simply can't get a civil-service job.

Mr. FOLSOM. Of course, you hear the same thing about industry, too. I find in the first place, the turnover among people over 55 is very low. Most people that age are put and stay put, but when a person does lose his job, there generally might be a good reason. He

might not be in good health, or might not have the capacity to work, so it is, of course, most difficult for him to get a job.

I don't think that many companies now in industry have any definite rules against it, although you hear a lot of talk about it.

Senator FLANDERS. I may say that in Paris this summer, Mrs. Flanders and I were eating at one of those restaurants on the Champs Elysses. I looked over at the next table and there was a leading American industrialist, whose name I will not mention, who was sitting there with his wife and family. He had recently been retired, under his company's retirement rules. I said to him, "Mr. So and So, you don't look to me to be too old to work." He said, "I am not." That is the way he felt about his compulsory retirement.

Mr. FOLSOM. Well, sometimes I don't think we should have compulsory retirement for the rank and file because I think it depends so much on the individual. Some people should retire at a certain age, and some people should come under the flexible retirement age. This fellow might be in that category, and he might be better off.

Now, getting back to my figures on this marked reduction in the death rate, the death rate from acute rheumatic fever has gone down 73 percent in the last 10 years, TB 73 percent, appendicitis 76 percent, and a reduction for all infectious diseases of about 75 percent. The overall death rate from all causes in the last 10 years has gone down 13 percent.

They tell me that as a result of this progress in research and all these new discoveries, there are now 1,250,000 more people alive than would have been if they hadn't had these discoveries. There is much yet to be done in many other fields. We still have a long way to go in fields such as cancer, heart, arthritis, and then we have big problems in mental illness.

We have a big program out at the National Institutes of Health, directed toward more research into all these fields. Some of the work is done out there, while some takes the form of research grants given to institutions all over the country. That is a very important program. I won't take time to go into it now but it is one of the important factors in this field.

We want to continue to strengthen our research program, and not only that, we must apply the fruits of research. That is where the Public Health Service, at the Federal level and all the State health departments, come into action, to make sure that, as we make advances in medical science and learn how to lick these problems, we get the information out into the hands of the doctors and other people so that they can apply it to the people who need it. That is a big and important area for the Public Health Service.

Now, when it comes to other fields of sickness and disability, we get into the question of continuation of income. The first protection a man should have when he becomes sick is to have his income continued. We find that most business concerns have a sickness plan of some sort. It is estimated that in industrial States about two-thirds of the workers have protection in the form of sick-benefit plans, which are payable to some extent when they become sick.

Four States have adopted compulsory plans, New York State being the last to adopt one. Rhode Island, New Jersey, California, and New York now have plans in which it is compulsory for an

employer to provide for benefits for the workman when he is out sick for a limited period. It is something like unemployment insurance. I feel that more States ought to get into that type of legislation, or ought to seriously consider it. New York State's experience has been very satisfactory. If your staff is interested, there is a very interesting analysis of experience written by Mr. H. G. Waltner, industrial relations man or a social-security adviser of the Standard Oil Company of New Jersey. He explored the experience over the last 3 or 4 years in New York State, and it is very favorable. It is a very penetrating analysis. I think more and more States should get into that field because, while it is true that two-thirds of the workers might be covered, we still haven't got protection for groups not in the big well-established companies, or for short-service people.

Senator SPARKMAN. How does that work in case of those that are covered?

Mr. FOLSOM. Well—

Senator SPARKMAN. Does the unemployment compensation take care of it?

Mr. FOLSOM. No. The plan they have in New York State is quite similar to one that the President has recommended for the District of Columbia.

The way the New York State plan operates is very simple: It requires that every employer must cover his workers, so that benefits are paid for a certain period of time, similar to unemployment insurance, so many weeks at a certain percentage of his pay; there is a small employee contribution. It is optional in New York State whether the company self insures; it can have its own plan if it meets the State standards. Employers can also take out insurance policies. They can do it with the State fund. It is optional.

In California they start with the State fund, but the employer can contract out if he has an insured plan or self-insured plan, so there are all sorts of possibilities in the thing. In New York State it is done with very little increase in overhead. There are only a very few people in the State office. All the administration is done outside. In fact, since you have about two-thirds of the people already covered in voluntary plans, there isn't so much need for having a pooled State fund. That is the theory back of the New York plan. I think it works out very well.

Vocational rehabilitation is a very important factor in attacking low income problems. Through plans which are already in effect, Federal-State plans, 850,000 people have already been rehabilitated. We estimate that there are about 2 million people in the country who need vocational rehabilitation because of disability.

We think there is more opportunity for more work in this field. We estimate that last year about 60,000 were restored to useful work. Congress last year voted more money for the grant program and many States have made very good progress, but a few States are still lagging behind, and not taking full advantage of the funds available in our program. However progress is being made. It is a very fruitful area of work.

Now, the next field in the protection against sickness and disability is in voluntary health-insurance plans, to provide protection against the costs of medical care. There has been a rapid expansion in these plans in recent years. We now estimate there are about a hundred

million persons covered by these plans, but we have still got quite a long way to go. I think there is a great opportunity, though, for further expansion.

There are three big gaps in this field: The first is in the area called catastrophic illness. Many plans cover the insured up to a certain point, for so many weeks, for so many dollars, but for the prolonged illnesses, serious cases, coverage is not adequate. Many people have to use their lifetime savings in order to meet the costs of such a catastrophic illness. There has been considerable progress in the last few years in policies to cover catastrophic illness. There are now more than 3 million people covered by those plans. It has been found that, if you have a reasonable deductible feature and have coinsurance under which, for example, the insurance company pays three-fourths and the individual one-fourth, after the first \$100 or other deductible, you can get this type of insurance for fairly low cost. There have been several companies in the last few months, the last year or so, that have adopted these group policies for catastrophic illness, and I am hopeful that such insurance is going to spread quite rapidly in the next few years.

Also that type of insurance will be of a very great help to families of all income groups, for meeting these long illnesses. Not only will it protect against hospitalization and surgical costs, but it will also help on nursing costs, drugs, things of that sort.

Now, another gap is in the rural areas, which the Blue Cross plans, Blue Shield plans, and other group plans have difficulty in reaching. We also have the problem of the cost of medical care of the aged. Many plans stop coverage when a person reaches a certain age. Individual policies written by insurance companies often stop at 60 or 65. Many company plans do not cover retired people, this is one area that we really should carefully study to learn what can be done.

It was those three areas that the President had in mind when he proposed the reinsurance plan the year before last. The plan sought to encourage insurance companies to enter into those fields, and to put out policies that might be more attractive than the ones that are now available.

We are studying that field quite actively in the department, not only the reinsurance, but this whole area, and we hope to have some recommendations to make to Congress which will help to improve and expand voluntary health insurance coverage.

Now, there is a responsibility on the part of State and local communities for providing adequate hospital facilities; and adequate care for indigent people. That is a prime responsibility of the local community. The Federal Government has gone a good way in helping communities through the Hospital Survey and Construction Act. Hospitals have been built through this plan in which the Federal Government puts in so much and the State and local governments put in so much. The plan is continuing, and we are expanding it and more hospitals are being built.

There is the question of what the local communities are doing in the way of providing medical care for the aged, and for people in need of assistance. In some cases they are not doing an adequate job, and there is a question of what should be done about it.

We also feel that the Federal Government ought to do something better for Federal workers. We are working now on plans for pro-

viding some type of health insurance for the Federal employees, just as we did the group life insurance plan. An administration bill has already been introduced which will probably be further clarified in the next session.

There is another area, getting down to about the next to the last in the list of six—loss of income due to broken families. We find that between 1 and 1¼ million women and between 2 and 2¼ million children are in homes broken by marital discord. Many of these women are untrained, and they need help. Many of them should stay in their home and look after their children rather than going out getting jobs. That is one of the main objectives of our program of aid to dependent children. It is helping to meet the problem, and we think more emphasis ought to be placed on having better trained social workers and on going to the families and showing them how they could meet the problems which they are facing.

We also have many other programs in the Department that help children; for example, our other grant-in-aid programs for maternal and child health, crippled children, and child welfare services. I will not have a chance to go into those, but we can give you more detail if you want it.

The final area is the question of inadequate educational training. Many people are in the low-income groups because they have not been adequately trained in the first place, they did not have sufficient education, and they now need counsel, and they need vocational training particularly. In the long run, of course, a vigorous educational system is the answer to these problems. We find that there is a very close correlation between the income of families, or individuals, and the amount of schooling which they have. Dr. Brownell is going to appear on one of your panels with a full discussion of this whole field which is an exceedingly important one.

We do find that pupils from the low-income families are very apt to drop out of school at an earlier age than those of higher income families, so you get that vicious circle working.

Dr. Brownell will tell you some of the plans we have, what we are already doing in this field, and what plans he has under consideration. When it comes to the whole field of education, as you know we have a White House conference coming on the 28th of this month. It starts the week after next. There have been thousands of State and local conferences held all over the country; they are heading up into the White House Conference, in which there will be 2,000 people discussing problems such as I have just mentioned briefly. We also are seriously studying in our own Department the question of what we should do about the shortage of classrooms which exists. The President made a proposal here, other proposals have been made, and we are carefully discussing all plans. I saw the President in Denver week before last and we talked on this subject. We will propose a program for next year, and we hope we can get, and the President hopes that we can get, general agreement on some program to help meet the emergency situation which does exist in the area of classroom shortages.

There has been a lag in construction of classrooms because of the war and depression and all. We just haven't them. Now, we have got a big increase in school population, and we are faced with this shortage, and there is no question but something ought to be done about it. We hope to come up with a plan to present to the Congress.

I would like to read the concluding statement of my summary:

Practically every program of the Department of Health, Education, and Welfare is related in one way or another to the problem of low-income families. Much has been done to attack the fundamental cause of low-income, prevent illness, and deprivation, and to increase opportunities for the people. With close and positive cooperation on all sides, and with a continued favorable economic climate fostered by sound Government policies, I am personally convinced that we may expect steady progress in reducing economic dependency and the incidence of low income in this country. It is a mission to which the resources of the Department of Health, Education, and Welfare are wholeheartedly dedicated.

Senator SPARKMAN. Thank you, Mr. Folsom.

I had several questions I wanted to ask you but I think you have pretty well covered them in your statement.

There is one, however. I will go way back in the early part of your statement. I do not know whether you are familiar or not with the staff study that has been made, but I show you the bar chart on page 2 of our staff report. You made reference to the fact that there had been a steady improvement in the income of people, and that is true generally. It certainly has been true down in my section of the country.

However, we always have the problem of the families with extremely low incomes. I call your attention to the first income class there; you notice those with incomes of a thousand dollars or less remain practically the same, percentagewise, in 1954 and 1948. Remember, the 1954 figures are translated into 1948 dollars, so that for both years, purchasing power is held constant.

Now, in the case of the next higher income groups, as can be seen from the chart, the percentages have declined slightly. That is, the percentages of families with incomes (in constant dollars) between \$1,000 and \$5,000 show a small decrease in 1954, compared to 1948. But the \$5,000 and over class shows a significant rise. The percentage figures are given on page 6 of the report, but I think the chart on page 2 is quite clear.

Mr. FOLSOM. It does show quite a shift from 1 to 3.

Senator SPARKMAN. That is correct. We still have about the same proportion of families at the lowest end of the income scale.

Mr. FOLSOM. I think that you will find that those in the groups that we have been talking about, some of those are physically handicapped, some mentally handicapped, some of the old people who just have exhausted their savings, and all. I don't think you can say it is any one particular group. It is spread all over. All of these are caused by those things that I mentioned.

Senator SPARKMAN. In other words, if I could summarize your statement in one sentence, it would be this, that these groups you have discussed are concentrated in the lowest income class.

Mr. FOLSOM. Of course, we should expect, if the economy continues to expand, that we ought to be able to reduce that percentage. The chart does show good progress in these other four groups. I think we have got to tackle the problem on all fronts, all the fronts we have mentioned. I do not think it is any one that you can put your hand on to say it is responsible for this percentage.

Senator SPARKMAN. Dr. Ensley, do you have any questions?

Mr. ENSLEY. I have no questions.

Senator SPARKMAN. Miss Snyder, do you?

Miss SNYDER. I would like to say that the apparently constant proportion of low-income families, those with incomes under a thousand dollars, might be partly due to the liberalization of OASI payments, and the expanded coverage. I think it is generally accepted that most older folks prefer to live alone when they are able to, even when their income is relatively low, so that in times of increasing prosperity you get some aged families showing up in a census count that earlier were living with the families of married sons or daughters and were not counted separately.

Mr. FOLSOM. I will have our people in the Department look into this to see if they have any more definite information on that particular point. They might be able to come up with some figures.

(The following was later supplied for the record:)

DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

SOCIAL SECURITY ADMINISTRATION, DIVISION OF RESEARCH AND STATISTICS

Research and Statistics Note No. 60—1955

CHARACTERISTICS OF FAMILIES AND INDIVIDUALS WITH MONEY INCOME UNDER \$1,000 IN 1954¹

In recent public hearings before the Subcommittee on Low-Income Families of the Joint Committee on the Economic Report, attention was directed repeatedly to the finding of the Bureau of the Census that there was no decline between 1948 and 1954 in the proportion of families with money incomes below \$1,000 in constant dollars. Two questions recurred: Why did the size of this group remain at about 10 percent during a period of prosperity? and, What are the characteristics of these families?

This note attempts to throw light on these questions, and on the probable trend in the number of families and of individuals with current incomes below \$1,000. Information from the census survey, presented in a factbook compiled by the subcommittee staff,² are examined together with selected data about beneficiaries under the old-age and survivors insurance program and recipients of public assistance.

No single income figure provides a satisfactory measure of the poverty line because of variations in family composition, price levels, accessibility of public services, etc., but statistical data are not readily available except where an arbitrary income cutoff point is used. Frequently \$2,000 is used as a rough measure, but many families with higher incomes are in need and some with lower incomes are not. Attention here is focused on the group at the bottom of the income scale, because of the questions raised at the recent hearings regarding this unquestionably disadvantaged group.

The significance of this group is indicated by the fact that in 1954, 3.7 million families (comprising some 8 to 9 million persons) and 4.4 million individuals living alone or with nonrelatives received less than \$1,000 money income (table 1). In relation to the total number of families and individuals, this reflects some improvement between 1948 and 1954. However, when the 1954 data are adjusted for the 12-percent price rise that took place over the 6-year period, there appears to have been little change in the proportion of units with incomes below \$1,000 in 1948 dollars. Detailed information is not readily available on the characteristics of the larger group of 4.3 million families and 4.6 million individuals whose 1954 incomes were less than \$1,000 measured in 1948 dollars.

In previous years, many families and individuals such as these lived with relatives because they had no independent income. Expansion of the old-age and survivors insurance benefit rolls, the increase in monthly benefit payments—and the increasing supply of housing since the war—have permitted more aged persons and broken families to live by themselves.

¹ Prepared by Lenore A. Epstein, Division of Research and Statistics.

² Characteristics of the Low-Income Population and Related Federal Programs, joint committee print, 84th Cong., 1st sess., 1955. The findings of the surveys of consumer finances conducted for the Board of Governors of the Federal Reserve System, and summarized in the same committee print, confirm the census findings.

Nevertheless, the estimate of 3.7 million families of 2 or more persons and 4.4 million individuals with current money incomes below \$1,000 in 1954 understates the extent of the low-income problem, because the census defines a family to include all related persons living in the same household. A considerable number of aged couples and other aged persons still live in joint households with their children. In the case of aged couples, the husband is likely to be reported as the family head even though his own income is very small and that of adult children relatively large, bringing the total family income well above the level under consideration. A widowed parent is less often reported as family head, but in the census statistics his low-income status (when it is low) is concealed by classifying him as a family member. Similarly, many women whose husbands are dead or absent from the home and who have children in their care live with their parents or other relatives. Such mother-child groups (estimated to number 726,000 in April 1955) frequently have small incomes but this fact is again concealed as a result of the census definition.

FAMILIES WITH INCOMES UNDER \$1,000 IN 1954

A given amount of cash income of course provides a lower level of living for nonfarm than for farm residents. It is noteworthy, therefore, that more than three-fifths of the 3.7 million families with incomes under \$1,000 in 1954 were nonfarm residents, as shown by the following figures:

Residence and labor-force status of family head	Number in thousands	Percent
Total.....	3,714	100.0
Nonfarm.....	2,282	61.4
Head not in labor force.....	1,312	35.3
Head unemployed.....	123	3.3
Head employed.....	847	22.8
Farm.....	1,432	38.6
Head not in labor force.....	339	9.1
Head unemployed.....	20	.5
Head employed.....	1,073	28.9

Of the 1.4 million farm families in the lowest income group in 1954 almost two-thirds were living in the South, most of the others in the North Central States. Of those in the South, two-thirds were white and one-third nonwhite.

The family head was reported as employed in proportionately more of the lowest income families living on farms than of those in nonfarm areas, but it is likely that the farm was often marginal or else not worked to capacity. Of all the families with incomes below \$1,000 in 1954, almost half were ones where the family head was out of the labor force or unemployed in April 1955. Presumably many of these families received unemployment insurance, old-age and survivors insurance benefits, or public assistance in 1954.

Many of the families headed by a person not in the labor force were retired and many others were broken families with a female head. The distribution of all families with incomes under \$1,000 in 1954 by age of head was as follows:

Age of head	Number in thousands	Percent
Total.....	3,714	100.0
65 and over.....	1,134	30.5
25 to 64.....	2,417	65.1
Under 25.....	163	4.4

Undoubtedly a number of the younger families comprised mothers with children receiving old-age and survivors insurance benefits because of death of the father or aid to dependent children payments because of death or absence of the father. Others were families in which the head was disabled, unemployed for an extended period, a marginal worker with inadequate training and skill, self-employed who suffered reverses during the year, or resident in a depressed area.

The average (mean) family benefit under old-age and survivors insurance for a retired worker and wife aged 65 or over was \$99.10 at the end of 1954, \$85 a year earlier. However, old-age and survivors insurance benefits of less than \$80 per month (\$960 per year) were paid to 28 percent of the retired couples at the end of 1954, to 40 percent at the end of 1953. Benefits at the higher rates provided under the 1954 amendments became effective with the September benefit payment.

These figures relate to all beneficiary couples, including those who lived with relatives and therefore were not counted as separate families by the census. The benefit amounts do not of course represent the total money income of old-age and survivors insurance beneficiaries, because many have some earnings, private pensions, income from private investments, or public assistance. However, in general, aged-insurance beneficiaries whose benefits are low because their earnings were low or irregular (except for those who also had substantial non-covered earnings) are least likely to have established rights to private pensions or to have accumulated private savings. Part-time employment is also least likely to be available to a retired worker who was a marginal worker in his younger days, or who retired many years ago with benefits calculated on earnings when the general level of wages was lower.

Insurance beneficiaries who also receive old-age assistance have, on the average, smaller benefits than all aged insurance beneficiaries. However, there are many low-benefit beneficiaries who do not receive supplementary public-assistance payments; this is due in part to the fact that benefits tend to be relatively small in the low-income States and public-assistance standards tend to be relatively low in the same States. Moreover, some do not apply for assistance. Some are ineligible because they have assets or share homes with relatives. According to unpublished data from a national sample survey of the characteristics and resources of aged old-age and survivors insurance beneficiaries, conducted by the Bureau of Old-Age and Survivors Insurance in 1951, the overwhelming majority of beneficiary couples with the lowest incomes were not receiving public assistance.

In the spring of 1953, roughly one-fifth of all old-age assistance recipient couples with both husband and wife receiving assistance had total incomes and assistance (including vendor payments for medical care) of less than \$80 per month, according to a survey conducted by the Bureau of Public Assistance.³ For almost one-fourth of such couples, assistance payments were less than need as determined by the welfare agency.

Old-age and survivors insurance monthly benefit payments to widowed mothers with children in their care were as follows at the end of 1953 and 1954:

	Widowed mother and—		
	1 child	2 children	3 or more children
Percent with benefit of less than \$80:			
December 1954.....	20.7	20	25.7
December 1953.....	30.7	31	38.8
Average amount of family benefit:			
December 1954.....	\$103.90	\$130.50	\$126.80
December 1953.....	\$90.10	\$111.90	\$109.00

The situation of families with three or more orphaned children is particularly serious.

At the end of 1954 about 5 percent of old-age and survivors insurance beneficiary families with children were also receiving aid to dependent children payments. Information is not available on the total income of families receiving aid to dependent children. It is noteworthy, however, that in November 1953 average (mean) assistance payments to aid to dependent children families not getting old-age and survivors insurance benefits were under \$80 in 17 States.⁴ Families receiving aid to dependent children in these States—the great majority of them in the South—numbered 232,000 or 46 percent of all families on the aid to dependent children rolls in continental United States at that date.

³ Recipients of Old-Age Assistance in Early 1953, Part I—State Data, Public Assistance Report No. 26. Recipients with income in kind to which no money value was assigned but which was estimated to be worth \$5 or more are excluded from the distribution by income, but included in other tabulations.

⁴ Characteristics of Families Receiving Aid to Dependent Children, November 1953. Biennial release, Bureau of Public Assistance.

INDIVIDUALS WITH INCOMES UNDER \$1,000 IN 1954

Although farm families made up almost two-fifths of all families with cash incomes under \$1,000 in 1954, only about 1 in 10 of the low-income individuals lived on farms, about 7 in 10 lived in urban areas.

Almost half of the 4.4 million individuals living alone or with nonrelatives who reported 1954 incomes below \$1,000 were aged 65 and over. Assuming that the age distribution was similar to that in 1952, another fifth were 55 to 64 years of age. Many were retired. The proportion aged 65 and over was larger than in 1948, undoubtedly because proportionately more aged persons had some retirement income which permitted them to live apart from relatives. Many presumably chose separate living arrangements even though this meant a low level of living.

Another significant fact is that two-thirds of the 4.4 million persons with incomes below \$1,000, or 2.9 million, were women, many of whom had never been in the labor force. Information is not available on the distribution by sex of persons aged 65 and over whose incomes were under \$1,000 in 1954. However, in 1948 (for which especially detailed tabulations were prepared) more than 50 percent and possibly as many as 70 percent of the low-income aged individuals were women.

At the end of 1954, there were 1.8 million retired men workers receiving old-age and survivors insurance benefits who were nonmarried or whose wives were not entitled to benefits. The monthly old-age and survivors insurance benefit for more than three-fourths of them, or about 1.4 million, was less than \$80. All but 5 percent of the retired women workers and all of the women receiving widow's benefits under the old-age and survivors insurance program received less than \$80 per month in benefits. (The maximum benefit possible for aged widows is now \$73.90 per month.) Thus, a total of about 1,550,000 women old-age and survivors insurance beneficiaries (exclusive of wives) received benefits at an annual rate of less than \$1,000 in December 1954. About 850,000 women received benefits at a rate of less than \$600 per year. Benefit payments during the year 1954 were of course lower than the rate at the end of the year because the increases provided by the 1954 amendments became effective with the check for September. As in the case of retired couples, many of these beneficiaries had additional income from other sources, but many did not.

About one-third of all old-age assistance recipients, now totaling about 2.5 million, live alone or with nonrelatives, according to the survey conducted by the Bureau of Public Assistance in early 1953. More than two-fifths of this group had total income including assistance amounting to less than \$75 per month, equivalent to \$900 per year, at the time of the survey. About 1.5 million old-age assistance recipients are women, of whom roughly 1 million are widows, some living with their children or other relatives, some alone or with nonrelatives.

FUTURE EFFECT OF OLD-AGE AND SURVIVORS INSURANCE PROGRAM IN REDUCING THE NUMBER OF FAMILIES AND INDIVIDUALS WITH INCOMES UNDER \$1,000

A considerable proportion of the families and individuals with incomes under \$1,000 in 1954 were old-age and survivors insurance beneficiaries or recipients of public assistance. As the old-age and survivors insurance program matures, we can look forward to a continuing decline in the proportion of aged persons and of widowed mothers of children under age 18 primarily dependent on public assistance and a significant increase in the proportion receiving old-age and survivors insurance.

This has more significance in terms of a probable shift out of the lowest-income group than might appear from a comparison of average old-age and survivors insurance benefits with average public-assistance payments in 1954 to families of the same composition, because a steady rise in average old-age and survivors insurance benefits is expected for those coming on the rolls after 1954. This is most important for persons aged 65 and over.

A large proportion of the old-age insurance beneficiaries on the rolls in December 1954 either became beneficiaries before 1952 or were unable to qualify for the new benefit computations by work after 1950. Although all of these persons benefited from general benefit increases adopted in 1950, 1952, and 1954, many of them had lower average earnings than they would have had if they had been able to qualify under the present provisions.

Because of the limitations on coverage in the early years of the program, many full-time workers were covered for only part of their work. When coverage of the program was widely extended in 1950, the Congress provided a new start,

not only for the newly covered persons but also for those previously covered. Under this provision, thousands of persons became eligible for benefits—many at the minimum.

With regard to computation of average earnings, the new start means, for most people coming on the rolls in the future; elimination from the computation of the 14 years before 1951, which may have included periods of noncoverage and which also included years of low earnings during the 1930's and 1940's. A further improvement, adopted in 1954, permits as many as 5 years of low earnings to be eliminated from the computation of average earnings. Under the disability-freeze provisions of the 1954 amendments, periods of extended disability also will be excluded from computation of the average monthly earnings and therefore will not reduce benefit amounts. All these changes will mean higher benefits for the full-time worker—whether at low or high wages—who comes on the rolls in the future.

The estimated distribution by benefit amount of retired men on the old-age and survivors insurance benefit rolls in 1960 compares as follows with the distribution in December 1954:

Monthly benefit	Percent	
	End 1954	1960
\$30 (minimum).....	13	7
\$30.10 and under \$60.....	30	18
\$60 and under \$75.....	25	20
\$75 and under \$98.50.....	32	54
\$98.50 and under \$108.50.....		
Total.....	100	100

It is expected that 70 percent of the men coming on the benefit rolls between 1955 and 1960 will receive monthly benefits between \$75 and the \$108.50 maximum.

Evidence in support of the prospective shift to higher benefit levels is the difference between the average monthly benefit of all beneficiaries on the rolls in December 1954 and the average monthly benefit paid to those of the beneficiaries on the rolls in June 1955 whose benefits were based on earnings after 1950, with eligibility for the dropout. For a retired worker and his wife aged 65 and over, the former figure was \$99.10 and the latter was \$130; for retired workers with no dependents, the corresponding averages were \$56.50 and \$78.

There is a second factor that may mean higher total incomes for aged beneficiaries, although not necessarily for young survivors of insured workers. Many of the aged persons on the old-age and survivors insurance rolls in December 1954 had all their resources wiped out during the depression and were never again able to accumulate savings for old age. Persons reaching retirement age now and in the next few years, however, have had a better opportunity as a group to accumulate private savings for retirement because of high levels of employment and rising wage levels during their middle age. During a family's younger years savings are likely to be for education of children, purchase of a home and other large durable consumer goods. It is after age 45 or 50 that funds are more likely to be put aside for use in retirement.

With stable prices and continued high levels of economic activity, the next few years will unquestionably see a decline in the number of families and individuals with money incomes under \$1,000, as a result of old-age and survivors insurance program developments. However, unless programs other than old-age and survivors insurance or other factors result in a shift up the income scale for families who last year received incomes of \$1,000 to \$2,000 or to \$2,500, the total number of families and individuals with money incomes below \$2,000 or \$2,500 will probably remain about the same as in 1954, although their average income will be considerably higher.

TABLE 1.—Distribution of families and individuals by total money income, for the United States 1948 and 1954.

Total money income class	Families of 2 or more persons			Unrelated individuals		
	1954		1948	1954		1948
	Current dollars	1948 dollars		Current dollars	1948 dollars	
Number in thousands						
Total.....	41, 934	41, 934	38, 530	9, 623	9, 623	8, 140
Under \$1,000.....	3, 714	4, 269	4, 020	4, 354	4, 598	4, 090
\$1,000 to \$2,000.....	4, 616	5, 143	5, 580	1, 866	1, 958	1, 830
\$2,000 to \$3,000.....	4, 983	6, 128	7, 950	1, 381	1, 436	1, 240
\$3,000 to \$5,000.....	13, 003	13, 698	12, 970	1, 481	1, 255	810
\$5,000 and over.....	15, 618	12, 696	8, 010	541	376	170
Percent of total						
Total.....	100	100	100	100	100	100
Under \$1,000.....	9	10	10	45	48	50
\$1,000 to \$2,000.....	11	12	15	19	20	23
\$2,000 to \$3,000.....	12	15	20	14	15	15
\$3,000 to \$5,000.....	31	33	34	16	13	10
\$5,000 and over.....	37	30	21	6	4	2

Source: Bureau of the Census, Department of Commerce, published in Characteristics of the Low-Income Population and Related Federal Programs, Joint Committee Print, 84th Cong., 1st sess., 1955.

Senator SPARKMAN. You mentioned that a number of States have made changes in their unemployment compensation laws. Do the changes represent any improvements, generally?

Mr. FOLSOM. Oh, yes. There has been a considerable improvement both in duration and benefits. There has been a steady improvement in the last 6, 8, or 10 years. Many States now do cover a full 26 weeks, and they have increased their benefits, the maximum benefits, considerably.

The original plan of unemployment insurance was to provide something like 50 percent of the average weekly wage, but with a maximum. However, in the course of time the maximum was so low that a high percentage of the people were receiving this maximum benefit. It was quite a little less than 50 percent of the pay. There has been a steady rise in recent years in the maximum by different States. Some States still have too low a maximum and too short a duration, and the President, you will recall, last year urged the States to expand, to increase both the maximum and the duration, and there has been quite a little done on that.

I think still some States are lagging behind.

Mr. ENSLEY. There was one more question: In Denver 2 or 3 weeks ago one of the White House assistants reported that perhaps early next year the President would be sending out a proposal dealing with these distressed areas. Is that work coming along? Can you give us any report on that?

Mr. FOLSOM. That is not in my department, but I do know that they have a definite plan which will be proposed. I cannot discuss it because it is not in my department. I do not know whether they are ready to discuss the details of it or not, but it is being actively studied.

Senator SPARKMAN. Thank you very much, Mr. Folsom. We appreciate your being here.

Mr. FOLSOM. I am glad to be here.

Senator SPARKMAN. It is a very fine statement you have given to us.

Mr. FOLSOM. If we can be of any further help, if the staff can help you in any way we would be very happy to do so.

Mr. ENSLEY. I might say the staff of this Department, as with other departments, have been very helpful to the subcommittee and its staff in gathering material and planning these hearings.

Senator SPARKMAN. And we are grateful.

The remainder of our agenda for this morning consists of a panel discussion on the subject, "The Role of the Federal Government in Assisting Low-Income Families To Increase Their Productive Capacity, Earnings, and Level of Living."

The panel members were asked to take into account an illustrative set of questions which were intended to define in a general way the subject to be discussed this morning. These questions are listed in a subcommittee release of October 24 which I inserted in the record at the beginning of this session.

I think it may be well to go around the table and introduce each member of the panel. We shall then proceed by hearing the 5-to-10-minute summary statement of each panelist in turn, then the remainder of the session will be available for open discussion, and I may add at this point that I hope the discussion will be just as informal as we can make it. Each member of the panel should feel perfectly free to enter into the discussion and to direct comments and questions to each other.

The members of the panel are as follows:

Mr. Howard R. Bowen, president, Grinnell College.

Mr. Leo Fishman, professor of economics, University of West Virginia.

Mr. Howard B. Myers, research director, Committee for Economic Development.

Mr. Robert R. Nathan, of the Robert R. Nathan Associates.

Our first witness is Mr. Howard Bowen.

Mr. Bowen, we will be glad to hear from you, sir.

STATEMENT OF HOWARD R. BOWEN, PRESIDENT, GRINNELL COLLEGE

Mr. BOWEN. Senator Sparkman, I submitted a fairly lengthy report to the subcommittee, and my remarks at this point will merely hit some of the high spots of that report.

(The statement referred to follows:)

POVERTY IN THE UNITED STATES

By Howard R. Bowen¹

I. PURPOSE AND SCOPE OF THIS REPORT

The significance of poverty in the United States of 1955 must be interpreted in light of two important developments in recent decades:

1. The United States has built up a far-reaching system of social welfare legislation, private insurance, and private pension plans designed to protect

¹ The original draft of this report was prepared for the Committee on Economic Development. The opinions and recommendations presented are those of the author and do not necessarily represent the views of the Committee on Economic Development or of individual members of the committee.

our people against the insecurity and poverty commonly associated with old age, unemployment, sickness, broken homes, and other contingencies.

2. During the past 13 years, the Nation has experienced virtually uninterrupted prosperity. In this period, economic growth has proceeded rapidly, average real incomes per capita have increased, unemployment has been near the practicable minimum, numerous new industries have appeared, labor has been highly mobile, and the distribution of income has tended to become more favorable to the lower income groups. Altogether, it has been a period of almost unprecedented economic stability and opportunity.

The substantial poverty that still remains in our society may be regarded as the hard core which has persisted even after the great extension of public and private insurance, pension plans, and relief, and even after 13 years of great prosperity.

The purpose of this report is to explore—in a preliminary fashion—the extent, character, and causes of present-day poverty in the United States, to describe current methods of dealing with the problem, to raise some of the basic issues concerning public and private policy relating to poverty, and to suggest directions for further research in the field.

2. POVERTY AND THE GENERAL WELFARE

Poverty is obviously objectionable on simple humanitarian grounds. We wish to eradicate poverty simply because we do not want to see our fellow men in distress. But poverty is bad not only for those who actually are poor. It is bad also for those who never become poor. So long as poverty is allowed to exist, it is possible that anyone may some day be in want. The continued existence of poverty, therefore, leads to insecurity and fear, even on the part of many who may never themselves become destitute. The elimination of poverty for the few thus adds to the security of the many. Also poverty is bad for the well off in that it breeds ignorance, illness, slums, and crime which affect the welfare of all. Poverty often represents underutilization of labor and other resources which, in the national interest, ought to be put to full use. At the same time, poverty represents potential buying power which is not now effective and therefore presents a promising frontier for further economic development. From the ideological point of view, so long as poverty persists in the United States, the enemies of capitalism have a powerful argument. Altogether, there are ample reasons to justify remedial action.

In general there are two main lines of attack on the problem: (1) measures to prevent poverty, and (2) measures to relieve poverty once it has occurred. Clearly the first of these is to be preferred to the second, but both lines of attack are essential and may be pursued jointly.

3. STATISTICS ON INCOME DISTRIBUTION

Almost everyone has at some time seen statistical tables or charts showing the distribution of the national income (or a part thereof) by income classes. Such data have been available over many years and from a variety of sources. Most of these statistics reveal distributions which are essentially similar. They uniformly show a considerable concentration of income among the upper income classes and a relatively small amount of income among the lower income classes; and they show a large number of income recipients with small incomes and a small number with large incomes.

The similarity of such distributions for a wide variety of countries and times has led some scholars (notably Vilfredo Pareto) to conclude that there is an underlying and apparently immutable "law" governing these distributions. A straightforward examination of these statistics leads easily to the conclusion that poverty is widespread even in modern America. For example, if one arbitrarily defines "poverty" as a family income of less than \$2,000, one might conclude that 20 percent of the American people in 1954 were suffering from poverty.² But no such straightforward conclusion can legitimately be drawn. Indeed, data of this kind are so frequently misinterpreted, or carelessly interpreted, that it may be worthwhile to digress briefly to indicate some of the pitfalls in their use.

² Characteristics of the Low-Income Population and Related Federal Programs. Selected Material³ Assembled by the Staff of the Subcommittee on Low-Income Families, Joint Committee on the Economic Report, table 1, p. 5.

4. INTERPRETATION OF STATISTICS ON INCOME DISTRIBUTION³

Crude data on the distribution of money income, are very misleading indicators of the extent of poverty. The net effect of the many inadequacies of these data is to exaggerate grossly the disparity among families in real income or in real economic welfare. The following outline suggests some of the problems encountered in interpreting these data.

(a) *Definitional and statistical ambiguities.*—

(1) The statistics are limited to a single year and hence do not place persons with irregular incomes in the proper categories. The family of a millionaire who happens to have no net income in a particular year shows up in the lowest income group while a poor family which happens to have 1 good year is placed in a higher bracket.

(2) The incomes of certain groups are probably systematically underreported. Among these groups are farmers, self-employed business and professional persons, and recipients of dividends.⁴

(3) Capital gains and losses are not included unless realized and even then may be underreported.

(4) Many part-time workers who are partially dependent, for example college students, are probably classed as unattached individuals and included in the lower-income brackets regardless of the economic status of their families. Gifts are not included within income.

(5) Changes in family living, affecting the number of families, may result in significant statistical changes in the distribution of money income among families. For example, old-age and survivors insurance has enabled many older persons or couples and many survivor groups to maintain independent households, whereas they would formerly have lived with relatives. The result has been an increasing number of families with low income but at the same time an improvement in welfare. Similarly, in depression families double up and in prosperity they set up separate households. This also tends to affect the number of low-income families shown in the statistics without signifying corresponding changes in welfare.

(6) Property income is net of depreciation and can be maintained beyond the working years of the owner and even beyond his lifetime, whereas labor income is gross of depreciation and cannot be maintained beyond the active years of the worker. Statistics on income distribution do not recognize this distinction.

(b) *Fringe benefits and fringe costs connected with work.*—Statistics on income distribution are stated in terms of money without allowance for the considerable differences among jobs in nonmonetary benefits, rights, costs, and other conditions attached to the work. Hence, even if the statistics were accurate and relevant in all other ways they would imperfectly reflect differences in real income or welfare. Jobs differ with respect to—

(1) Degree of security as reflected in stability of employment, in risk of injury or illness, and in benefits or rights such as pensions, separation pay, seniority, tenure, life insurance, and coverage under social insurance.

(2) Working hours and vacations.

(3) Costs associated with work, for example, special clothing, transportation, meals, tools, licenses, union dues, and entertainment expenses.

(4) Prestige, pleasantness of work, and pleasantness or convenience of location. Jobs differ greatly in these respects and some of the differences in income are to be accounted for by these differences, for example, dirty versus clean jobs, white-collar versus blue-collar jobs, jobs in Alaska versus jobs in California, or jobs in isolated mining or logging camps versus jobs in pleasant commercial communities.

(5) Nonmonetary income connected with the job, for example, use of automobiles, right to purchase stock, right to purchase merchandise at a discount, right to appropriate merchandise, lodging or housing at less than cost, and gifts in kind from employers.

(6) Expense accounts.

(7) Risk of failure. In some occupations (e. g., acting), both the chances of failure and the rewards of success are great, and consequently differences of income are large.

³ This section is based largely upon the following sources: E. E. Hoyt, M. G. Reid, J. L. McConnell, and J. M. Hooks, *American Income and Its Use*, Harper & Brothers, New York, 1954, pp. 99-222; Conference on Research in Income and Wealth, *Studies in Income and Wealth*, vols. 13 and 15, National Bureau of Economic Research, New York, 1951 and 1952; *Materials on the Problem of Low-income Families*, op. cit.; *Low Income Families and Economic Stability*, Joint Committee on the Economic Report, S. Doc. 146, 81st Cong., 2d sess., 1950; Hazel Kyrk, *The Income Distribution as a Measure of Economic Welfare*, American Economic Review (Supplement), May 1950, pp. 342-55; H. P. Miller, *Facts Related to Recent Changes in Income Distribution*, Review of Economics and Statistics, August 1951, pp. 214-218.

⁴ It is possible that the inclusion of farmers and other self-employed persons under old-age and survivors insurance may result in an improvement in the reporting of income for these groups.

(8) Depreciation. Jobs vary in the amount of training and experience required and in the length of time a worker can expect to continue in the occupation. Differences in income may be due in part to these differences in the rate of depreciation to which workers are subject.

(c) *Nonmonetary income produced in the home.*—Substantial amounts of real income, which significantly affect welfare, are produced within the home and not included in income statistics. This kind of income is particularly important in appraising the relative position of farmers and city workers and the relative position of homeowners and renters.

(1) Product from household gardens, woodlots, and do-it-yourself work.

(2) Rental value of owned homes, cars, and other durable consumer goods.

(3) Services of housewives. Two families may be similar in all respects, except that in one the wife stays home to care for her children and home; and in the other the wife works and neglects her children. The first of these families may have much less money income but much greater welfare than the second.

(4) Skill in household management. Because of substantial differences in skill of household management, families with the same money incomes achieve quite different levels of living.

(d) *Nonmonetary income derived from governmental services.*—Substantial amounts of real income are received in the form of public services (education, health services, food, subsidized housing, recreation, school lunches, etc.) and similar services and gifts in kind from voluntary organizations (such as churches, social welfare agencies, schools and private individuals). These services are undoubtedly provided in relatively larger quantities to lower-income groups than to higher-income groups.

(e) *Purchasing power of income.*—There are substantial differences in the purchasing power of money income among various geographic sections of the country and between rural and urban areas. This is of special relevance in comparing the incomes of farmers and city workers.

(f) *Assets.*—Differences in income do not necessarily reflect differences in the assets of families and hence do not accurately measure economic welfare. A family of low income need not be destitute if it has assets to draw upon.

(g) *Age of family head.*—Part of the differences among incomes as reflected in the crude statistics on income distribution are accounted for by difference in age. Individuals typically experience a life cycle of earnings. As they enter the labor force, their earnings are small; as experience and training is accumulated, earnings rise; and then as old age approaches, earnings decline.⁵ Also, the family unit is likely to have more earners at the time when the family head is at middle age than when he (or she) is young or old. And the family is likely to accumulate savings during the working years and to use the income from these savings in later years. Thus there is a life cycle in the amount of income from accumulated savings. For these reasons, if the statistics on income distribution were stratified by age of family heads, the disparity within each age group would be substantially less than that for the entire population.

(h) *Need for income.*—Just as families vary in amount of income, they also vary in income needs as reflected in size of families, age of family members, incidence of sickness, legal costs, etc. Thus, the statistics on income distribution, no matter how reliable they may be, cannot indicate the extent of poverty without reference to need. Because of differences in need, families in higher brackets may be poorer in welfare terms than families in lower brackets. It is well-known, for example, that a large part of those in the lowest income brackets are unattached individuals (mostly young persons and old persons); also there is a direct correlation between average income and family size.⁶

The above is a lengthy inventory of the many problems involved in the interpretation of crude data on income distributions. The purpose of this digression has been to show that the extent of poverty in the United States is not reliably revealed by the usual statistics on the distribution of money income. In general, the crude statistics tend to exaggerate disparities of income among families and to overstate the extent of poverty. This does not mean that all poverty can be eliminated merely by statistical adjustments. There is clearly a great deal of poverty in the United States, though not so much as the crude statistics might suggest.

⁵ Hoyt et al., *op. cit.*, p. 114.

⁶ See Statistical Abstract of the United States, 1953, pp. 290-292.

5. DEFINITION OF POVERTY

Poverty cannot be defined merely in terms of income. As Dickens once pointed out, it is a relationship between available resources and need such that total resources are less than need. To determine whether or not a given family is in poverty it is necessary to ascertain its available resources, to estimate its needs, and then to compare the two. This procedure is followed by social workers who commonly view a case in terms of a budget which relates available resources and needed expenditures. The resource side of the budget includes income (money and real), possible gifts, feasible withdrawals from savings or liquidation of assets, and feasible borrowing. The expenditure side includes all the expenditures needed to maintain the particular consuming unit at a given standard, taking into account size and age-composition of the family, health, prices, nonmonetary income, and all other relevant responsibilities and circumstances. Poverty (or need for assistance or remedial action) exists to the extent that available resources fall short of needed total expenditures. There is no substitute for a definition of poverty which takes into account all of the relevant factors on both sides of the family's budget.

6. MEASURING THE EXTENT OF POVERTY

If the extent of poverty is to be measured statistically, there are two possible procedures. The first is to make a case-by-case investigation of an appropriate sample of consumer units determining resources and need in each case. The second is (a) to stratify the statistics on income distribution by family type, city size, geographic area, occupation, income in adjacent years, health, etc.; (b) to adopt a needed total expenditure for each subgroup according to some acceptable standard; and (c) to include among the poor those whose money incomes fall short of the needed expenditure. To the best of my knowledge, neither of these methods has been employed systematically, and so we are without reliable information on the extent of poverty.

Recommendation.—As a first step in the study of poverty, an effort should be made to find out the extent of poverty as defined above. Of the two methods suggested, the first is to be preferred because it permits consideration of individual circumstances in determining whether poverty actually exists in any given family.

7. DEFINITION OF NEED

Before one can measure the extent of poverty, it is necessary to determine the minimal amount of total expenditure which is to be considered adequate for each class of families. This, of course, involves a value judgment as to what level of expenditure or consumption may be regarded as minimal. There are no useful objective criteria for ascertaining this amount. At any time, different persons (even well-informed persons) will choose quite different amounts; and the same persons will choose different amounts at different times. In particular, as our national productivity rises, our conception of the poverty line also rises. What was once regarded as a satisfactory level of living is today regarded as abject poverty; and an adequate level by today's standards may be regarded as hopelessly unsatisfactory tomorrow.

The selection of appropriate minima is also complicated by the fact that we may get different results depending on point of view. If we define adequacy in terms of some minimal amount of consumption which an observer (presumably a middle-class well-educated observer) thinks a family ought to have, we may get quite a different result from what we would get if we consulted the family itself. It can be argued that poverty is a psychological state—that only those people are poor who think they are poor, and those well off who think they are well off. On this basis, many families of very low income might well be classed as well off, and many families in the middle-income brackets might be classed as poor.

In the last analysis, the conception of poverty which is effective in our society probably represents a widely prevailing social attitude on the part of middle-class persons as to the minimal level of consumption which is considered essential to support a family of a given type and circumstances in a state of health, decency, reasonable opportunity for children, and reasonable comfort. Such a conception is bound to be relative to the prevailing standards of the middle class—which in turn are strongly influenced by the actual level of living attained by that class. Hence, given the distribution of income in our society, the percentage of families

regarded as below the poverty line is likely to remain about the same regardless of increases in the average level of income and consumption.⁷

Dr. Dorothy S. Brady has illustrated the relativity of family budgets as follows:

"Between 1900 and 1910, the estimates of the cost of a budget for 5 persons ranged between \$600 and \$1,000 and the corresponding average incomes of wage-earner families ranged between \$400 and \$900. At the present time the costs of the workers' budgets prepared by the Bureau of Labor Statistics and the Heller committee range above \$3,000 and exceed the median incomes of wage-earner families reported by current studies of income distribution. The cost of minimum family budgets per capita has tended at all times to equal 60 to 70 percent of the national income per capita."⁸

In practice, minimal consumer budgets are constructed for the guidance of social workers in the administration of various public-assistance programs, for use in the selection and weighting of prices to be included in consumer price indexes, and as guides in the setting of wages or in negotiation on wages. The budgets vary, of course, according to the uses to which they are to be put and according to the predilections of the workers compiling the budgets. Sometimes the budgets relate only to families of certain sizes and age composition (the family of four being a special favorite), and commonly they relate only to large cities. Little systematic effort has been made to construct minimal budgets for various classes of families living under various conditions.

The leading current official estimate of a minimal family budget is that compiled for 34 large cities by the United States Bureau of Labor Statistics. In describing this budget, the Bureau states:⁹

"The budget includes food, clothing, housing, medical care, transportation, other goods and services, and an allowance for other essential needs such as taxes, insurance, union dues, and charity donations. * * * The budget represents the estimated cost in dollars for a city worker's family of four persons to maintain an adequate level of living according to prevailing United States standards of the needs for health, efficiency, nurture of children, and participation in community activities. It is neither a subsistence nor a luxury budget. It provides a modest but adequate American standard of living based upon the kinds and quantities of goods that workers actually select * * *. The type of family chosen—in some respects an arbitrary choice—consists specifically of four persons living in a separate house or apartment. Family composition is an employed father aged 38 years, a housewife of 36 not gainfully employed, a boy of 13 in high school, and a girl of 8 in grade school. Although detailed budget studies have not been made for families of sizes other than four persons, the Bureau has prepared scales for determining equivalent incomes for families of varying sizes at the same level of living * * *. For example:

	<i>Percent of cost for 4 persons</i>
2-person family -----	66
3-person family -----	84
5-person family -----	114
6-person family -----	128"

Table 1 presents the BLS city worker's budget, by cities, for various dates between 1947 and 1951. In 1951, the total budget ranged between \$3,812 and \$4,454 in the various cities studied. The average was \$4,164. This compares with the mean family income in 1951 of about \$4,900.¹⁰

⁷ An exception may occur in periods of deep depression when standards are affected by previously achieved levels of living.

⁸ Dorothy S. Brady, Scales of Living and Wage Earners' Budgets, Annals of the American Academy of Political and Social Science, March 1951, pp. 35-36.

⁹ Bureau of Labor Statistics, Handbook of Labor Statistics, 1950, p. 121.

¹⁰ This was computed by adjusting the Department of Commerce figure for 1950, \$4,460, on the basis of the change in personal income and population between 1950 and 1951. See United States Department of Commerce, Income Distribution in the United States, Survey of Current Business (Supplement), 1953, p. 86.

TABLE 1.—City worker's budget for family of 4 persons, 34 large cities, United States, selected periods, 1947-51¹

City	June 1947	October 1949	October 1950	October 1951
Atlanta.....	\$3,240	\$3,613	\$3,833	\$4,315
Baltimore.....	3,345	3,648	3,773	4,217
Birmingham.....	3,338	3,451	3,720	4,252
Boston.....	3,391	3,589	3,807	4,217
Buffalo.....	3,180	3,488	3,668	4,127
Chicago.....	3,369	3,605	3,745	4,185
Cincinnati.....	3,202	3,599	3,733	4,208
Cleveland.....	3,282	3,461	3,630	4,103
Denver.....	3,253	3,553	3,739	4,199
Detroit.....	3,381	3,562	3,750	4,195
Houston.....	3,094	3,605	3,875	4,304
Indianapolis.....	3,181	3,401	3,599	4,044
Jacksonville.....	3,224	3,633	3,777	4,202
Kansas City.....	3,093	3,336	3,524	3,960
Los Angeles.....	3,333	3,630	3,789	4,311
Manchester.....	3,216	3,399	3,658	4,090
Memphis.....	3,305	3,585	3,784	4,190
Milwaukee.....	3,410	3,645	3,933	4,387
Minneapolis.....	3,387	3,512	3,718	4,101
Mobile.....	3,364	3,343	3,507	3,969
New Orleans.....	3,092	3,295	3,453	3,812
New York.....	3,430	3,458	3,649	4,083
Norfolk.....	3,338	3,522	3,716	4,146
Philadelphia.....	3,286	3,558	3,699	4,078
Pittsburgh.....	3,378	3,530	3,779	4,203
Portland, Maine.....	3,286	3,392	3,622	4,021
Portland, Oreg.....	3,251	3,425	3,690	4,153
Richmond.....	3,315	3,663	3,890	4,338
St. Louis.....	3,325	3,471	3,639	4,112
San Francisco.....	3,399	3,654	3,808	4,263
Savannah.....	3,240	3,318	3,557	4,067
Scranton.....	3,249	3,358	3,598	4,002
Seattle.....	3,475	3,582	3,808	4,280
Washington, D. C.....	3,546	3,773	3,926	4,454

¹ Source: Bureau of Labor Statistics, Handbook of Labor Statistics, 1950, p. 122; *ibid.*, 1951 supplement, p. 43. The data have not been gathered since 1951. The consumer price index has increased from 111.0 in 1951 to 114.9 in 1954. Presumably, therefore, the budgets in 1954 would be almost 3.5 percent higher in 1954 than in 1951.

The Heller Committee for Research in Social Economics, (University of California) prepares family budgets for the San Francisco Bay area¹¹ relating to families of "salaried junior professional and executive workers," and of "wage-earners." In each case, the family group is assumed to be a man, woman, boy of 13, and girl of 8. The Heller committee states that its budgets " * * * attempt to measure the cost of maintaining the commonly accepted standards of living of families in two different occupational groups. The difficulty of defining this concept precisely * * * has been pointed out many times. There is, however, general agreement that the budget items should be determined by conventional and social as well as biological needs. The Heller committee has attempted to describe the 'commonly accepted' standard of living as the sum of these goods and services that public opinion currently recognizes as necessary to health and reasonably comfortable living. The term 'necessary' as used here includes far more than a minimum of physical needs. It represents what men commonly expect to enjoy, what 'is urgently desired and striven for, special gratification attending substantial success and substantial failure yielding bitter frustration.'"¹²

With this criterion, the budget for a salaried-worker family in September 1954 was \$7,979.98; for a renting wage earner, \$5,335.19; and for a homeownership wage earner, \$5,628.59.¹³ Doubtless most people would regard these amounts as well above the poverty line.

Many other budgets currently used in the administration of relief, the setting of wages, and the construction of price indexes could be cited. To do so would merely add a great variety of figures, each perhaps useful in its own way, without contributing much to establishing one specific minimal standard for each type of family and each type of geographic area.

¹¹ Quantity and Cost Budgets for Two Income Levels, University of California, 1954.

¹² *Ibid.*, pp. 5-6.

¹³ *Ibid.*, pp. 1-3.

The conclusion is simply that we do not have any authoritative or generally accepted standards of need for families of various types, locations, and circumstances. Such standards inevitably fall within the realm of value judgment rather than of objective fact. This being so, it is unlikely that we shall ever have a single agreed-upon standard of minimal need for families of each class. Nevertheless, if we wish to measure the extent of poverty, or to take measures to prevent or relieve it, it is surely desirable to define poverty so that we can know when and where it exists. Any such attempt at definition is bound to be arbitrary. In defense of arbitrariness, it can be said that the only alternative is vagueness of a kind that is bound to produce loose thinking and breakdown of communication among those who are concerned to mitigate one of America's significant social problems.

Recommendation.—That efforts be made to construct reasonable estimates of need for each of several types of families according to age, size, health, occupation, geographic area, city size, etc. With such estimates, it would be possible to identify the "poor" by comparing available resources with need. As suggested above, this might be done on a case-by-case basis or by comparing need for various classes of families with income distributions similarly stratified.

8. SOME CRUDE INDICATORS OF THE EXTENT OF POVERTY ¹⁴

While there are no precise data on the extent of poverty in the United States, there are abundant indications that substantial poverty exists.¹⁵ The following number of persons were receiving public assistance (involving the means test) from Federal-State programs in September 1955:¹⁶

	<i>In thousands</i>
Old-age assistance.....	2, 553
Aid to blind.....	104
Aid to dependent children.....	2, 191
Aid to the permanently and totally disabled.....	241
General assistance (cases).....	290

Since the budgets on which these grants are made are seldom munificent, it is reasonable to conclude that most of these people are poor by any reasonable standard, even after receipt of the grants. Also in September 1955 the average weekly number of beneficiaries of unemployment insurance was 763,275, and the number of families receiving monthly benefits under old-age and survivors insurance was 7,796,000.¹⁷ By no means all of these persons are poor, but it is safe to say that a large number of them are. Another evidence is provided by data on housing. The census of 1950 listed 6,720,000 dwellings (about half rural) with no running water, 4,339,000 dwellings in dilapidated condition, 2,687,000 without electric lights, and 2,608,000 in which there was more than 1.5 persons per room.¹⁸ Still another indication is provided by wage statistics. According to a 1953 tabulation (see table 4) 10.1 percent of production workers in manufacturing industries received less than \$1 per hour (or \$2,000 per year on an annual basis assuming full employment during 50 weeks at 40 hours per week).

¹⁴ A useful roundup of information pertaining to the extent of poverty may be found in Joint Committee on the Economic Report Characteristics of the Low-Income Population and Related Federal Programs, *op. cit.*

¹⁵ *Ibid.*, p. 3.

¹⁶ Social Security Administration, Department of Health, Education, and Welfare.

¹⁷ *Ibid.*

¹⁸ Statistical Abstract of the United States, 1953, pp. 774-775.

TABLE 2.—*Estimated distribution of production workers in manufacturing industries by straight-time average hourly earnings,¹ United States, April 1954²*

Average hourly earnings ¹ (in cents)	Annual equivalent, assuming 50 weeks at 40 hours per week	Number of workers (in thousands)	Percent of workers
Under 75.....		23	0.2
75 and under 80.....	\$1, 500- 1, 600	357	2.8
80 and under 85.....	1, 600- 1, 700	195	1.5
85 and under 90.....	1, 700- 1, 800	242	1.9
90 and under 95.....	1, 800- 1, 900	252	2.0
95 and under 100.....	1, 900- 2, 000	213	1.7
100 and under 105.....	2, 000- 2, 100	374	3.0
105 and under 110.....	2, 100- 2, 200	269	2.1
110 and under 115.....	2, 200- 2, 300	318	2.5
115 and under 120.....	2, 300- 2, 400	275	2.2
120 and under 125.....	2, 400- 2, 500	305	2.4
125 and under 130.....	2, 500- 2, 600	370	2.9
130 and under 135.....	2, 600- 2, 700	354	2.8
135 and under 140.....	2, 700- 2, 800	364	2.9
140 and under 145.....	2, 800- 2, 900	379	3.0
145 and under 150.....	2, 900- 3, 000	382	3.0
150 and under 155.....	3, 000- 3, 100	498	4.0
155 and under 160.....	3, 100- 3, 200	447	3.5
160 and under 165.....	3, 200- 3, 300	523	4.2
165 and under 170.....	3, 300- 3, 400	478	3.8
170 and under 175.....	3, 400- 3, 500	482	3.8
175 and under 180.....	3, 500- 3, 600	477	3.8
180 and under 185.....	3, 600- 3, 700	427	3.4
185 and under 190.....	3, 700- 3, 800	515	4.1
190 and under 195.....	3, 800- 3, 900	457	3.6
195 and under 200.....	3, 900- 4, 000	491	3.9
200 and under 205.....	4, 000- 4, 100	422	3.4
205 and under 210.....	4, 100- 4, 200	357	2.8
210 and under 215.....	4, 200- 4, 300	304	2.4
215 and under 220.....	4, 300- 4, 400	269	2.1
220 and under 225.....	4, 400- 4, 500	227	1.8
225 and under 230.....	4, 500- 4, 600	224	1.8
230 and under 235.....	4, 600- 4, 700	176	1.4
235 and under 240.....	4, 700- 4, 800	134	1.1
240 and under 245.....	4, 800- 4, 900	121	1.0
245 and under 250.....	4, 900- 5, 000	115	.9
250 and under 260.....	5, 000- 5, 200	210	1.7
260 and under 270.....	5, 200- 5, 400	130	1.0
270 and under 280.....	5, 400- 5, 600	99	.8
280 and under 290.....	5, 600- 5, 800	79	.6
290 and under 300.....	5, 800- 6, 000	50	.4
300 and over.....		208	1.7
Total.....		12, 590	100.0

¹ Excludes premium pay for overtime and for work on weekends, holidays, and late shifts.

² Source: Factory Workers' Earnings, Bulletin No. 1179. Bureau of Labor Statistics, U. S. Department of Labor, April 1954.

TABLE 3.—*Median annual wage or salary income of persons 14 years of age and over, by major occupation groups¹*

Professional, technical, and kindred workers.....	\$3, 819
Farmers and farm managers.....	473
Managers, officials, and proprietors (except farm).....	4, 399
Clerical and kindred workers.....	2, 614
Sales workers.....	2, 399
Craftsmen, foremen, and kindred workers.....	3, 717
Operatives and kindred workers.....	2, 752
Private household workers.....	439
Service workers (except private household).....	1, 737
Farm laborers and foremen.....	816
Laborers (except farm and mine).....	2, 229

¹ Source: Statistical Abstract of the United States, 1954, p. 318.

The existence of low wages is also revealed by data on median wage and salary income by occupational groups. (See table 3.) In interpreting these data, it should be noted that half the workers in each occupational group have earnings of less than the specified amount. (However, low wages do not necessarily connote poverty, since many families have more than one worker.)

It should be noted in passing that minimum wage legislation does not effectively meet the problem of low wages. The present minimum wage of \$1 per hour

yields a full-time annual income of \$2,000. In a sizable urban family with only one wage earner, this may be below the poverty line. Even in a family with two full-time wage earners, the minimum wage still does not provide a magnificent living. In any case, in 1953 only about 62 percent of all workers were covered by Federal or State minimum wage laws.

9. CAUSES OF POVERTY

Poverty is basically a deficit in the relationship between available resources and the need for expenditure. The causes of poverty, then, may be considered in two groups: Factors contributing to smallness of resources, and factors contributing to largeness of need.

A. Factors contributing to smallness of resources

1. Low wages for employable persons: (a) Low productivity: Low native intelligence; impaired physical health or strength; personality defects such as unreliability, uncooperativeness, neurotic tendencies, drunkenness, criminality, etc.; old age; lack of education and training; low cultural level or inability to assimilate American cultural traits. The widespread incidence of these characteristics is suggested by the following facts:

"On an average day of the year, about 4 million persons between the ages of 14 and 64 are too sick or otherwise disabled to go about their usual pursuits—in jobs, at home, or at school. About half of these have been disabled 7 months or more. These members do not include patients in mental, tuberculosis, or other hospitals. The number of disabled persons is increasing and probably will continue to increase as more and more of the population live to reach middle and later ages."¹⁹

It has been asserted that 7,500,000 persons (in addition to the 700,000 confined to hospitals) "suffer from some form of mental illness severe enough to prevent them from holding jobs or carrying out household duties."²⁰ In 1950, 12,370,000 persons or 8 percent of the total population were 65 years of age or over.²¹

In the same year, more than 10 percent of the persons 25 years of age and over had completed less than 5 years of school.²² Large numbers of immigrants have entered the United States—in recent years, the most numerous being Mexicans and Puerto Ricans, many of whom have not fully assimilated our culture.

(b) Lack of geographic mobility in response to persistent wage differentials: Inadequate knowledge of alternative opportunities; high costs of moving; and inertia.

(c) Lack of mobility between occupations or industries: Discriminatory barriers against workers of certain races, nationalities, religions, and social origins; inadequate knowledge of alternative opportunities; lack of opportunity for retraining; discrimination against older workers or against women; and inertia.

(d) Weakness of bargaining power.

2. Unemployability: Some families have no member who is sufficiently productive to be a part of the labor force. The reasons are the same (in aggravated form) as the above reasons for low wages due to low productivity: low native intelligence, impaired physical health or strength, personality defects, old age,²³ lack of education or training, and low cultural level or failure to assimilate American cultural traits.

3. Family responsibility: In broken homes, and in families in which the head is ill or incompetent, the only potential breadwinner may be prevented by family responsibilities from entering the labor force, or entering on a full-time basis. For example, in 1952 there were about 1,508,000 families having a female head. Within these families were nearly 4 million children.²⁴

4. Unemployment: (a) Structural unemployment due chiefly to changes in demand and technology in particular industries or particular areas and to lag in the reabsorption of unemployed workers. (In cases of low mobility, these lags may be of considerable length.) At present, widespread structural unemployment exists in the coal-mining and textile industries.²⁵

¹⁹ U. S. Department of Health, Education, and Welfare, Social Security Administration, Social Security in the United States, 1953, p. 12.

²⁰ New York Times magazine, February 20, 1955, p. 13. This estimate is attributed to Dr. Robert H. Felix, Director of the National Institute of Mental Health.

²¹ Statistical Abstract of the United States, 1953, p. 31.

²² Statistical Abstract of the United States, 1953, p. 115.

²³ On the problems of old age see Floyd A. Bond and others, *Our Needy Aged: a California Study of a National Problem*, Henry Holt & Co., New York, 1954.

²⁴ Statistical Abstract of the United States, 1953, p. 52.

²⁵ See hearings before the Joint Committee on the Economic Report, January 1955 Economic Report of the President, 84th Cong., 1st sess., statement by Leo Fishman, pp. 263-265; statement of Solomon Barkin, pp. 266-292; Seymour E. Harris, *The Problems of Older Economic Regions in a Dynamic World*, pp. 292-303.

(b) Cyclical unemployment due to failure of aggregate demand.

(c) Irregular employment due to variations in markets or to seasonal changes. Theoretically, in the long run, wage differentials would compensate for such irregularity, or productive uses of spare time would be devised. In practice, it is doubtful if these correctives work out fully and so seasonal and irregular employment may be a real cause of poverty.

5. Crop failures, low agricultural prices, inadequate agricultural capital, and other factors contributing to low farm income.²⁶

6. Lack of motivation: Doubtless some people are poor merely because they choose to be poor—at least, do not care to make the sacrifices to be well off. We sometimes call such people lazy or shiftless.

7. Loss of money savings and other assets through fraud, theft, gambling, fire, flood, bank failure, company failure, stock-market decline, mortgage foreclosure, etc.: or depreciation of money savings through inflation.

B. Factors contributing to largeness of need.

1. Large families: large numbers of children or other dependents. In 1952, there were 4,226,000 families of 6 persons or more.²⁷

2. Costs relating to illness.

3. Other unusual expenses such as legal costs, repair of damage from flood or fire, costs of moving, payment of debts, etc.

4. Inefficient household management—extravagance and waste.

5. Addiction to alcoholic beverages or narcotics.

10. A NOTE ON FARM POVERTY

A very special and unique type of poverty in the United States is that found among farmers. Surprisingly little attention has been given to rural poverty, either in studies of social problems or in social legislation. Most farm and social-welfare legislation almost completely bypasses the problem. In particular, price-support legislation fails to meet the problem because the commercial marketings of most poor farm families are very small in amount.

In nearly all parts of the country, even in some of the rich agricultural areas, there are farm families who, by any standard, can be called poor. But the uniqueness of the problem of farm poverty lies in the fact that there are vast areas of the United States, particularly in the southern mountain regions, in which rural poverty is both extreme and widespread. When poverty becomes general throughout whole communities and whole regions, it becomes doubly devastating because of its adverse effects upon educational opportunities, cultural levels, community life, and opportunities for migration. Under such conditions poverty becomes self-perpetuating for whole communities.

Two recent estimates of the extent of rural poverty have been made, one by W. E. Hendrix and the other by William H. Nicholls. In both of these estimates, an attempt has been made to separate that rural poverty which is due to old age, broken families, illness, etc., from that which is due solely to low productivity when the head of the family is an adult male under 65 years of age. The Hendrix estimate for 1949 is as follows (000 omitted):²⁸

	United States total	South	Non-South
Number of farm families reporting family income under \$1,000.....	1,366	976	390
Number of low-production farms not reporting income.....	304	194	110
All farm families with income under \$1,000.....	1,670	1,170	500
Less farms of classes I, II, or III; those with operators 65 years of age and over; estimated number with female operators; and estimated number with physical or mental disabilities.....	670	370	300
Number of farm families with able-bodied male operators reporting income under \$1,000.....	1,000	800	200

Nicholls has estimated that there were in 1949 "about 1.25 million complete farm-operator families with able-bodied male heads in their more productive years, which had cash income from all sources of less than \$1,500; and 0.8-0.9 million of such families with cash incomes under \$1,000 * * * Of all such farm families with cash incomes from all sources of under \$1,000, 71 percent were in

²⁶ For a discussion of farm poverty, see sec. 10 of this report.

²⁷ Statistical Abstract of the United States, 1953, p. 52.

²⁸ Hearings before the Joint Committee on the Economic Report, January 1955 Economic Report of the President, 84th Cong., 1st sess., January 24-February 16, 1955, pp. 654-655.

the South * * * We may conclude that the low-production family problem is primarily centered in the Southern States."²⁹

The question of why some whole areas of the country have been left behind in the march of economic progress is not fully understood. A thoughtful and suggestive statement of the problem is to be found in an article by Theodore W. Schultz, *Reflections on Poverty Within Agriculture*.³⁰ Professor Schultz advances the hypothesis that what we call rural poverty is due primarily to the fact that some areas have not participated in the general economic development of the country. It is not due, he says, to differences in the physical characteristics of the land or to differences in native abilities of the people. Rather, he argues, the retarded areas are those which are located away from the main stream of economic development, which, therefore, have been unable to benefit from the economic progress growing out of that development. Because of their remoteness, people in these areas have not been able to enjoy the markets (fluid milk and produce, for example) associated with large industrial areas, and they have not been able to migrate easily to these areas because of cost, difficulties of adjustment to urban life, and lack of knowledge of opportunities. Schultz accounts for the problem primarily in terms of physical and social distance. He, and most writers on the problem, emphasize its cumulative nature.³¹

II. PRESENT REMEDIES FOR THE UNDERLYING CAUSES OF POVERTY

To meet the problem of poverty in the United States, many private and public programs have been adopted. These may be divided into two groups: (1) Those intended to remedy the underlying causes of poverty, and (2) those intended to relieve poverty when it occurs or is likely to occur. The following is an outline of the many measures now in effect which are intended to remedy the underlying causes of poverty.³² No judgment is here expressed on the appropriateness or effectiveness of these measures. (The topic numbers in this outline correspond to those in the section above on causes of poverty.)

A. Measures designed to overcome factors contributing to smallness of resources

1. (a) To meet the problem of low wages or unemployment due to low productivity.

Remedies relating to health: Public and private health services, services for crippled children, services for maternal and child health, medical research, grants-in-aid to support health services in poorer local areas, public and private promotion of safety, health education, vocational rehabilitation.

Remedies relating to personality defects: Public and private psychiatric and counseling services, psychiatric research, Alcoholics Anonymous, improved care and treatment of criminals.

Remedies relating to old age: Efforts to find suitable employment for older workers, removal of discrimination against older workers, seniority and tenure provisions, research on geriatrics.

Remedies relating to educational deficiencies: Free public education, raising school-leaving age, public and private training programs, grants-in-aid to support education in poorer areas.

Remedies relating to cultural level and assimilation: Education of children and adults, control of immigration.

(b) To meet the problem of low wages due to lack of geographic mobility: Employment services and labor exchanges, resource development in poorer areas, active recruitment of labor by business firms, minimum wage legislation, compulsory military service, movement of private industry to low-wage areas, preference to areas of surplus labor in the award of public contracts and in tax provisions.

(c) To meet the problem of low wages due to lack of mobility between occupations or industries: FEPC and other public and private measures intended to reduce racial and religious discrimination, employment services and labor exchanges, public and private training programs, removing discrimination against women.

²⁹ *Ibid.*, p. 658.

³⁰ *Journal of Political Economy*, February 1950, pp. 1-15. Also reprinted in hearings before the Subcommittee on Low Income Families of the Joint Committee on the Economic Report, *Low-Income Families*, 81st Cong., 1st sess., December 12-22, 1949, pp. 322-332.

³¹ For other valuable accounts of rural poverty in the southern Appalachians, see statement of Frank J. Welch, hearings before the Joint Committee on the Economic Report, *January 1955 Economic Report of the President*, 84th Cong., 1st sess., January 24-February 16, 1955, pp. 644-652; and *Underemployment of Rural Families*, Joint Committee on the Economic Report, joint committee print, 82d Cong., 1st sess. 1951.

³² Cf. *Selected Government Programs Which Aid the Unemployed and Low-Income Families*, Joint Committee on the Economic Report (Joint Committee Print) 81st Cong., 1st sess., 1949.

(d) To meet the problem of low wages due to lack of bargaining power: Labor unions, labor legislation affecting the activities of unions, minimum-wage legislation.

2. To meet the problem of unemployability: See 1 (a) above.

3. To meet the problem of low income or lack of income due to family responsibility: Public and private institutions for the care of chronic cases and incompetents, child care centers for the children of working mothers.

4. To meet the problem of unemployment:

(a) Structural unemployment: See 1 (b) above.

(b) Cyclical unemployment: General economic stabilization policies.

(c) Irregular employment: Overcoming seasonal variations in private industry by diversifying products, storing, etc., encouraging or assisting workers to acquire small acreages, guaranteed annual employment or wage.

5. To meet the special problem of farm poverty: Price supports, guaranteed loans and loans at low interest rates, crop insurance, agricultural education and research, encouragement of soil conservation, reclamation and irrigation.

6. To meet the problem of lack of motivation: Advertising, sales promotion, education in all its forms.

7. To meet the problem of loss or depreciation of savings: General economic stabilization, regulation of financial institutions and financial practices, deposit insurance, private fire and casualty insurance, regulation of gambling.

B. Measures designed to overcome factors contributing to largeness of need.

1. To meet the problem of large families: Education in birth control.

2. To meet the problem of large medical costs: See A 1 (a) above.

3. To meet the problem of other unusual expenses: Legal aid, private insurance, disaster relief.

4. To meet the problem of inefficient household management: Advertising, consumer education, education in household management.

5. To meet the problem of addiction to alcohol and narcotics: Control and taxation of alcoholic beverages and narcotics, public and private psychiatric and counseling services, psychiatric research, etc.

12. PRESENT MEASURES FOR THE RELIEF OF POVERTY

In addition to the measures described above which are intended to prevent the occurrence of poverty, there are also numerous measures designed to relieve poverty when it occurs. These measures are listed in the following outline and the more important ones are described in the appendix to this report. (Again, no judgment is expressed on the effectiveness or appropriateness of these measures.)

A. Measures designed to relieve poverty in old age

1. Old-age and survivors' insurance.

2. Other governmental retirement plans:

(a) Railroad retirement.

(b) Armed Forces retirement.

(c) Federal civil-service retirement.

(d) Retirement plans of some State and local governments.

3. Old-age assistance.

4. Private retirement plans.

5. Private insurance.

B. Measures designed to relieve poverty associated with broken families

1. Old-age and survivors' insurance.

2. Other governmental programs providing benefits for survivors:

(a) Railroad retirement.

(b) Veterans' program.

(c) Federal civil-service retirement.

(d) Retirement plans of some States and local governments.

(e) Workmen's compensation.

3. Aid to dependent children.

C. Measures designed to relieve poverty associated with physical or mental disability

1. Workmen's compensation.

2. Disability benefits for veterans.

3. Other governmental programs providing benefits for disabled persons:

(a) Railroad retirement.

(b) Federal civil service retirement.

(c) Retirement plans of some State and local governments.

4. Programs for temporary disability:
 - (a) California, Rhode Island, New Jersey, New York.
 - (b) Railroad Unemployment Insurance Act.
5. Public assistance to the permanently and totally disabled.
6. Aid to the blind.
7. Public and private hospitals and institutions for the care of persons with physical or mental disability.
8. Private health insurance.

D. Measures designed to relieve poverty associated with unemployment

1. Unemployment insurance.
2. Railroad unemployment insurance.
3. Veterans' readjustment allowances (terminated 1952).

E. Other measures to relieve poverty

1. General assistance to needy persons not adequately relieved by the above.
2. Subsidized housing.
3. School-lunch program.

The impact of many of these measures is summarized in table 4 which shows the number of persons receiving benefits and the total amount of benefits paid in 1952.

TABLE 4.—Persons receiving payments and amount of such payments under social insurance and related programs, 1952¹

	Average monthly number of persons receiving payments	Annual amount of payments (in millions)
Old-age benefits:		
Old-age and survivors insurance.....	\$3, 187, 300	\$1, 613
Railroad retirement.....	268, 600	267
Federal civil service and other Federal.....	215, 300	369
State and local government retirement.....	250, 000	300
Veterans' programs.....	78, 400	87
Old-age assistance.....	2, 635, 000	1, 468
Private pension plans.....	(2)	(2)
Survivorship benefits and aid to dependent persons:		
Monthly survivorship benefits:		
Old-age and survivors insurance.....	1, 484, 600	616
Railroad retirement.....	149, 900	74
Federal civil-service.....	40, 000	20
State and local government retirement.....	44, 000	30
Veterans' programs.....	1, 044, 200	573
Workmen's compensation.....	(2)	65
Lump-sum survivorship payments:		
Old-age and survivors insurance.....	(2)	63
Railroad retirement.....	(2)	14
Federal civil-service and other Federal.....	(2)	9
State and local government retirement.....	(2)	30
Veterans' programs.....	(2)	15
Aid to dependent children.....	1, 991, 000	542
Disability:		
Workmen's compensation.....	(2)	475
Veterans' programs.....	2, 343, 900	1, 635
Railroad retirement.....	80, 300	94
Federal civil-service and other Federal.....	116, 500	211
State and local government retirement.....	38, 000	30
State programs for temporary disability.....	75, 000	165
Railroad temporary disability insurance.....	31, 500	82
Aid to the permanently and totally disabled.....	161, 000	60
Aid to the blind.....	98, 000	60
Services for maternal and child health and crippled children.....	(2)	3 36
Child welfare services.....	(2)	3 105
Vocational rehabilitation (number in process).....	4 133, 173	3 33
Hospitals (average census of patients in public and private hospitals).....	5 1, 309, 377	(2)
Unemployment:		
State unemployment insurance.....	873, 600	998
Railroad unemployment insurance.....	42, 600	42
Veterans' unemployment allowances and self-employment allowances.....	15, 200	4
General assistance (cases).....	280, 000	172

¹ Source: U. S. Department of Health, Education, and Welfare, Social Security Administration, Social Security in the United States, U. S. Government Printing Office, Washington, 1953, pp. 67-68.

² Not available.

³ Statistical Abstract of the United States, 1954, p. 257.

⁴ Ibid., p. 290. Refers to 1953.

⁵ Ibid., p. 88.

Some of the more important of these measures are cooperative Federal-State programs, among these, unemployment insurance, old-age assistance, aid to the blind, aid to dependent children, and aid to the permanently and totally disabled. These programs are administered by State and local governments. The conditions of eligibility and the amount of benefits are determined by State and local authorities under the general rules and supervision of the Federal Government. The residual program, general assistance, which is intended to take care of needy persons not adequately covered by other programs, is solely a function of State and local government. Because of this decentralization, these programs are by no means uniform throughout the country. The degree of difference is suggested by the data in tables 5 and 6 on average payments to recipients and on proportion of population receiving assistance by States. The range of variation in average payments is as follows:

TABLE 5.—Average payments to recipients under selected social insurance and related programs, by States, June 1955¹

State	Average weekly benefit for total unemployment	Old-age assistance (monthly)	Aid to the blind (monthly)	Aid to dependent children (monthly) ²	Aid to permanently and totally disabled (monthly)	General assistance (monthly) ³
Alabama.....	\$18.40	\$35.44	\$35.32	\$11.34	\$35.85	\$23.94
Alaska.....	33.67	63.78	63.57	25.96	-----	50.87
Arizona.....	21.34	53.87	63.89	24.68	-----	43.25
Arkansas.....	18.25	33.77	40.51	14.70	31.08	15.43
California.....	24.06	67.05	84.50	37.50	-----	51.46
Colorado.....	25.81	85.10	66.87	28.68	57.09	38.77
Connecticut.....	27.17	85.01	90.20	42.10	107.13	57.04
Delaware.....	21.56	39.92	62.54	22.39	52.15	47.66
District of Columbia.....	18.49	53.69	59.34	26.00	60.52	61.90
Florida.....	17.85	46.31	49.04	15.50	-----	-----
Georgia.....	19.32	37.81	42.97	20.71	42.07	22.30
Hawaii.....	21.50	48.24	55.68	24.32	63.64	57.55
Idaho.....	23.29	54.83	61.30	35.62	61.09	45.89
Illinois.....	25.64	61.93	68.59	34.55	81.66	68.11
Indiana.....	24.89	48.51	58.59	25.84	-----	33.76
Iowa.....	22.42	57.59	73.47	31.88	-----	31.39
Kansas.....	24.05	65.85	73.28	30.72	68.22	53.97
Kentucky.....	22.56	35.38	37.11	17.65	-----	29.47
Louisiana.....	22.36	50.97	49.79	16.89	42.57	39.29
Maine.....	19.18	46.38	50.44	23.57	48.70	43.76
Maryland.....	25.49	45.20	51.85	23.71	53.47	53.48
Massachusetts.....	24.95	77.31	93.81	38.08	100.35	55.44
Michigan.....	29.73	55.70	63.49	32.75	71.85	64.11
Minnesota.....	22.65	66.38	128.12	35.47	54.82	56.46
Mississippi.....	19.24	27.90	34.55	6.10	24.60	12.69
Missouri.....	21.46	49.59	55.00	19.33	51.91	39.93
Montana.....	20.47	57.93	64.89	29.98	63.65	24.38
Nebraska.....	23.74	50.30	58.07	26.15	-----	41.89
Nevada.....	30.13	57.46	75.10	-----	-----	34.23
New Hampshire.....	21.35	59.03	63.67	35.07	73.24	46.59
New Jersey.....	28.49	68.53	69.31	35.33	80.36	77.21
New Mexico.....	24.49	31.90	35.38	18.85	31.21	26.59
New York.....	26.95	79.07	88.03	38.01	83.32	78.06
North Carolina.....	17.15	31.74	40.71	16.47	37.70	20.41
North Dakota.....	25.84	62.83	65.92	31.35	68.28	42.06
Ohio.....	29.01	58.23	56.91	24.93	49.82	51.07
Oklahoma.....	23.90	61.48	73.70	23.29	58.70	-----
Oregon.....	22.83	64.96	73.40	33.80	74.90	49.26
Pennsylvania.....	26.68	45.73	50.90	27.45	53.45	68.94
Puerto Rico.....	-----	7.86	7.80	3.03	8.61	15.43
Rhode Island.....	23.54	59.44	72.82	32.42	75.83	67.12
South Carolina.....	18.56	32.50	38.02	12.26	31.73	22.73
South Dakota.....	22.86	44.79	43.99	25.07	46.33	32.68
Tennessee.....	19.06	34.78	41.40	16.71	39.89	15.67
Texas.....	17.95	39.10	44.22	14.38	-----	-----
Utah.....	25.50	59.56	67.19	31.74	64.75	61.94
Vermont.....	22.38	44.64	48.96	22.74	49.70	-----
Virgin Islands.....	-----	18.56	-----	9.38	19.27	18.79
Virginia.....	19.30	30.14	36.17	16.84	38.86	35.86
Washington.....	24.61	61.61	78.35	35.11	72.72	59.86
West Virginia.....	23.22	27.69	32.13	19.31	31.25	28.83
Wisconsin.....	28.71	63.47	68.03	39.33	90.06	68.37
Wyoming.....	28.83	58.70	65.48	30.38	60.42	45.44
Total.....	24.93	52.30	57.41	24.04	54.93	53.78

¹ Source: Social Security Bulletin, September 1955.

² Payment per recipient.

³ Payment per case.

TABLE 6.—Proportion of population receiving assistance (recipient rates); by State, June 1955^{1 2}

[Except for general assistance includes recipients receiving only vendor payments for medical care. All data subject to revision.]

State	Recipients of old-age assistance per 1,000 population aged 65 and over.	Children receiving aid to dependent children per 1,000 population under age 18	Recipients of aid to the permanently and totally disabled per 1,000 population aged 18-64	Recipients of general assistance per 1,000 persons under age 65
United States average.....	179	29	3.3	4.9
Alabama.....	328	43	6.1	.1
Alaska.....	333	51	-----	1.5
Arizona.....	246	33	-----	2.7
Arkansas.....	329	36	4.9	1.0
California.....	261	35	-----	4.4
Colorado.....	361	33	6.3	2.6
Connecticut.....	76	18	1.4	(³)
Delaware.....	54	26	1.2	(³)
District of Columbia.....	45	27	4.3	.7
Florida.....	234	46	-----	(³)
Georgia.....	395	28	4.7	1.4
Hawaii.....	73	53	4.9	8.5
Idaho.....	169	21	2.6	.2
Illinois.....	106	21	1.1	9.8
Indiana.....	92	15	-----	7.8
Iowa.....	145	20	-----	3.0
Kansas.....	160	18	3.1	2.5
Kentucky.....	230	45	-----	2.5
Louisiana.....	586	45	8.0	2.9
Maine.....	132	35	.2	9.9
Maryland.....	58	22	2.9	1.4
Massachusetts.....	163	21	3.6	5.9
Michigan.....	132	20	.6	6.3
Minnesota.....	168	19	.4	5.6
Mississippi.....	453	43	2.6	.6
Missouri.....	294	43	5.9	3.0
Montana.....	145	24	4.3	3.1
Nebraska.....	120	15	-----	2.5
Nevada.....	175	(⁴)	-----	2.9
New Hampshire.....	108	18	.8	6.0
New Jersey.....	42	9	1.0	4.2
New Mexico.....	255	49	4.2	.7
New York.....	168	31	4.3	6.1
North Carolina.....	201	34	4.9	1.2
North Dakota.....	156	18	2.5	2.6
Ohio.....	123	15	1.7	9.5
Oklahoma.....	449	51	4.7	(³)
Oregon.....	121	18	3.5	5.3
Pennsylvania.....	56	25	2.0	6.9
Puerto Rico.....	507	94	20.1	.4
Rhode Island.....	103	35	3.2	11.5
South Carolina.....	335	27	6.8	1.4
South Dakota.....	174	29	1.9	3.7
Tennessee.....	260	45	.8	1.6
Texas.....	357	21	-----	(³)
Utah.....	185	25	4.5	3.7
Vermont.....	176	22	2.1	(³)
Virgin Islands.....	328	56	10.5	4.3
Virginia.....	71	20	2.4	(³)
Washington.....	238	26	3.9	7.0
West Virginia.....	171	73	7.9	2.2
Wisconsin.....	122	17	.6	6.2
Wyoming.....	174	13	2.7	2.6

¹ Source: Social Security Bulletin, September 1955.

² Based on population estimated by the Bureau of Public Assistance as of July 1955. Method of estimating not strictly comparable with that used for rates previously published.

³ Average for 43 States. No program in operation in remaining States.

⁴ Average for 46 States. See footnote 5.

⁵ Number of persons aided not currently available.

⁶ Rate includes unknown number of persons receiving medical care, hospitalization, and burial only.

⁷ Program administered without Federal participation.

Program	Average payment	
	Highest State ¹	Lowest State ¹
Unemployment insurance.....	\$29.73 (Michigan)	\$17.85 (Florida)
Old-age assistance.....	85.10 (Colorado)	27.69 (West Virginia)
Aid to the blind.....	128.12 (Minnesota)	32.13 (West Virginia)
Aid to dependent children.....	42.10 (Connecticut)	6.10 (Mississippi)
Aid to permanently and totally disabled.....	107.13 (Connecticut)	24.60 (Mississippi)
General assistance.....	78.06 (New York)	12.69 (Mississippi)

¹ Omitting territories outside continental United States.

Similarly, the range of variation in proportion of population receiving assistance is very great (table 6). This variation is a function both of differences in economic conditions and differences in eligibility requirements. The range is as follows:

Program	Number per 1,000	
	Highest State ¹	Lowest State ¹
Old-age assistance.....	586 (Louisiana)	42 (New Jersey)
Aid to dependent children.....	73 (West Virginia)	9 (New Jersey)
Aid to permanently and totally disabled.....	8 (Louisiana)	.2 (Maine)
General assistance.....	11.5 (Rhode Island)	.1 (Alabama)

¹ Omitting territories outside continental United States.

13. THE SYSTEM AS A WHOLE

The above list of measures designed to mitigate or relieve poverty is indeed impressive evidence that the problem of poverty has not been ignored or slighted in the United States. We are doing a great deal about it. It is evident, however, that we do not have a clear comprehension of the combined effects of these programs. We tend to think of each program in isolation. We have not yet acquired the point of view that each of these measures is a tactical operation in a strategic campaign to prevent or eliminate poverty and to provide security. Our attention has been focused more largely on tactics than on strategy. An overall examination of the net impact of all these programs, as they affect actual families, would reveal important gaps in the program and at the same time would possibly reveal the points at which present efforts exceed the essential.

We are devoting billions of dollars to the problem of poverty. We need to ask not only whether this total amount is adequate, but also whether we are making the wisest allocation of these funds among the many programs.

As Prof. Evaline M. Burns has written: ³³

"The simultaneous operation of several different social-security techniques, the practice of providing against different risks by separate programs, and the financial and administrative participation of several levels of government all make the American social-security system a highly complicated structure. This complexity is to some extent a mirror of the fact that America is a country characterized by great diversity of living conditions, economic interests, social attitudes and customs, and by a Federal form of government. It reflects, too, the fact that the different circumstances which occasion interruption of private income present different types of economic and social problems. Yet it is equally evident that so great a number of programs and authorities creates many problems. The situation creates possibilities of both gaps in, and overlapping of, protection. It raises questions of equity among the different population groups. It makes heavy demands on the mutual tolerance and cooperation of different levels of government."

Recommendation.—A survey of all the measures and policies (public and private), which are designed to prevent or mitigate poverty, should be made.

³³ The American Social Security System, Houghton Mifflin Co., Boston, 1949, pp. 60-62.

Such a survey should seek to discover the combined effects of these programs upon actual families of various types and circumstances. In this way, it would become possible to identify clearly the causes of poverty which are not now adequately guarded against and the kinds of contingencies which are not now adequately provided for. At the same time, it would be possible to identify nonessential or overly liberal parts of the present program. Mere study of particular programs in isolation, without a study of the combined effect of all the programs, will not suffice. And mere study of the legal provisions of programs without study of their actual impact upon families will not accomplish the desired result. A possible conclusion of such a study might be that a consolidation and simplification of our numerous and complex antipoverty programs would be desirable.³⁴

14. SOME TENTATIVE PROPOSALS

A study of the actual impact upon families of present measures to combat and alleviate poverty and a survey of residual poverty remaining even after these measures have been applied would doubtless reveal inadequacies in our present efforts. Such inadequacies would, of course, be identified in terms of previously defined minimal standards. In advance of such a study, we can at least surmise the nature of the inadequacies. The following paragraphs present my own personal judgments regarding present weaknesses in our system of antipoverty measures. Each subject discussed may be regarded as a hypothesis to be tested by more careful investigation, or as a preliminary statement of a basic policy issue. These are the particular areas which seem to me to call especially for more effective action, though every feature of our antipoverty programs could doubtless be improved upon.³⁵

(a) *Health*.—The most prominent gaps relate to provision for illness, both physical and mental. Present measures for helping to meet medical costs include hospitals and clinics whose services are available free or at less than cost, services for crippled children, services for maternal and child health, workmen's compensation, and private hospital and medical insurance.³⁶ Important as these are, they do not provide adequately for the unusual expenses associated with illness. The inadequacy is due to the facts (a) that the coverage of these existing provisions is far from universal, and (b) that provision for chronic illness is inadequate.

A serious difficulty in all medical insurance is that improved financing of medical care tends to increase the demand for medical services without increasing supply. Unless simultaneous efforts are made to increase the supply of medical services, improved financing is likely to result in higher prices for medical services or in apparent shortages of these services. Higher prices will tend to nullify the improved financing, and shortages will tend to bear most heavily on the lower income groups. Therefore a rounded health program should include efforts to increase supply as well as to finance costs.

The greatest economic hazard of sickness is loss of income of the family breadwinner. Neither public nor private insurance, nor any other present measures, adequately meet this need. Present programs in this field include workmen's compensation, disability benefits for veterans, disability benefits under various governmental and private retirement plans, public assistance to the permanently and totally disabled, and aid to the blind. Four States provide benefits for temporary disability which are similar in operation to unemployment insurance. This array of programs by no means fully meets the problem. Coverage is spotty, benefits are often inadequate, and benefits vary widely among geographic areas and among different classes of persons.

My own view is that we should seriously consider a comprehensive system of insurance to cover medical costs and loss of earnings due to catastrophic illness.³⁷

(b) *Education*.—In the long run the most effective cure for poverty is education. I refer to both general education and job training and to both formal and informal education. Education is helpful in imparting skills, raising aspirations and providing incentives, improving household management, improving health, increasing mobility, and raising general productivity. Americans can be justly

³⁴ Cf. Lewis Meriam and Karl Schlotterbeck, *The Cost and Financing of Social Security*, the Brookings Institution, Washington, 1950, pp. 173-187.

³⁵ For another discussion of proposals, see hearings before the Joint Committee on the Economic Report, *January 1955 Economic Report of the President*, January 24 to February 16, 1955, statement by William H. Nicholls, pp. 658-659.

³⁶ Odin W. Anderson, *National Family Survey of Medical Costs and Voluntary Health Insurance*, Health Information Foundation, New York, 1954.

³⁷ Cf. Sweden Will Try New Health Plan, *New York Times*, Oct. 30, 1954, p. 4.

proud of their accomplishments in this field. Yet we are in a period of dissatisfaction with our educational system just at the time when we are about to face an unprecedented flood of young people to educate. One may properly use the term "crisis" with reference to the present position of our educational system. This crisis is related not alone to crowded classrooms, inadequate facilities, low teachers' salaries, etc. It is also the result of essential ambiguity in our educational objectives.

(c) *Housing*.—Subsidized housing is one way of increasing the real incomes of lower-income families. It is perhaps superior to straight money subsidies in that good housing and associated good neighborhoods are important in raising the standards and aspirations and in improving the health of lower-income families. Much has been done along this line in recent years, but more needs to be done before slums and substandard housing are eliminated.

(d) *Inadequacies and disparities in social security and other benefits and social welfare services: The crisis of local government*.—Many social welfare services are provided by local or State governments or through Federal-State or State-local cooperative arrangements. As a result of this local autonomy, there are substantial differences among areas in availability of benefits, in eligibility requirements for recipients, and in amount of benefits. The degree of these differences is suggested by the data in tables 5 and 6, though these data (which are in the form of statewide averages) do not fully reveal the disparities among communities. These disparities are due partly to sectional differences in basic philosophy concerning relief of poverty, partly to differences in financial ability, and partly to racial discrimination. And, of course, some of the disparities are due to differences in cost of living among regions and between rural and urban areas. Whatever the reasons may be, the provision of social welfare services is spotty and uneven. While I should not care to argue for complete nationwide uniformity or federalization of all social welfare services, I believe that our present system permits excessive and arbitrary inequities among persons and that it fails in many sections of the country to achieve the avowed purpose of preventing or alleviating poverty.

These disparities are present not only in the various forms of public assistance but also in the many social welfare services which are important elements in any program to prevent poverty—especially education, health services, and housing. Because local support of these services tends to be less in poor areas than in rich areas, the problem of poverty tends to become self-perpetuating or self-accentuating.

To overcome or mitigate the geographic disparities leads one to some of the most fundamental issues concerning the operation of a Federal system of government and the rights of local self-determination. My own view of this matter is that we need a thorough overhauling of local and State government finance which will enable local and State authorities in all areas—but particularly in poorer areas—to discharge their responsibilities more adequately. We have assigned to local government tasks which are close to the basic welfare of people, namely, education, health services, and other social welfare services. The local agencies, from New York City, to Tupelo, Miss., have grossly inadequate financial resources to discharge these responsibilities. The most promising solution, I think, is improved local organization (e. g., consolidation of areas), and much greater use of grants-in-aid designed to counteract differences among areas in the ability to support essential local services at acceptable standards.

(e) *Geographic mobility of labor and industry*.—The basic cause of much poverty is lack of geographic mobility of workers in response to changes in demand or in technology or in response to regional wage differentials. Thus, we find islands of underemployed or unemployed persons in the New England textile area, Appalachian coal areas, Southern agricultural regions, and other parts of the country. The solutions to this problem are to increase the mobility of underemployed workers and to move employment opportunities to them. These solutions are not mutually inconsistent and can be carried out simultaneously.

The impediments to mobility of workers are: Lack of knowledge of opportunities, inability to adjust to new environments, unwillingness of new communities to accept migrants, costs (including family and other personal ties) of moving, residence requirements for eligibility for public assistance and unemployment compensation.

A recital of these impediments suggests several possible solutions: (1) A more effective employment service which is equipped to serve not only urban workers but also rural persons, (2) education and training of actual or potential migrants, including industrial education in rural schools, (3) financial and technical assist-

ance to families to help meet costs of moving and help them to become assimilated in new environments, (4) elimination of residence requirements in public assistance and unemployment compensation.

The question of whether industry should be encouraged to migrate to areas of surplus labor is a controversial one. One's attitude depends on his view of the importance of industrial location as a factor determining our productive efficiency. My own viewpoint is that it is, for many industries, not very significant, and that the strategic and other arguments for dispersion are fairly convincing. It seems to me that the case for regional development, river-valley development, allotment of Government contracts to areas of surplus labor, tax advantages to industry that locates in these areas, etc., are desirable within limits. For example, it seems to me to be as desirable that industry migrate to Puerto Rico as that Puerto Ricans migrate to New York; or that the textile industry move to the South as that southern labor move to the North.

The most important factor in mobility of either labor or industry is general economic growth and a high level of aggregate demand. If there are labor shortages, the movement of workers from areas of surplus labor and their assimilation and acceptance in areas of tight labor supply becomes relatively easy. At the same time, the incentives for industry to expand in areas of surplus labor becomes very strong. These factors should be considered in determining policy on the level of aggregate economic activity which should be aimed for. A tight labor market in the Nation as a whole may do more toward improving the geographic allocation of our labor supply and our industry than any amount of efforts directed toward increasing mobility under conditions of general underemployment. That this may be so is illustrated by the rapid economic advance of the South, relative to the rest of the country, since 1941.³⁸

(f) *Employment opportunities for marginal workers.*—By marginal workers, I mean younger persons, older persons, the handicapped, and women with family responsibilities. Greater flexibility in hours of work, greater opportunities for part-time employment, and special efforts to create tenable jobs for these groups would be useful.

Regarding younger persons, it is possible that our present educational and employment practices may not be ideal in two important respects: (1) present school attendance requirements and child labor laws prevent young people from entering the labor market and from thus contributing to the incomes of their families; (2) the present educational system does not fully command the time, energies, or interests of many teen-agers. These two considerations may partly explain the apparent widespread frustration among American youth. These considerations lead me to two very tentative suggestions: (1) that the educational program for many students should occupy more of their time and energy—the additional effort to be directed toward training for jobs; (2) that more part-time work in the nature of apprenticeships should be available for young people, preferably arranged so that the work would be closely correlated with their educational programs. I am thinking of opportunities for urban youth similar to those now available for rural youth who can study agriculture, belong to 4-H Clubs, and do part-time work on farms. Such a program would keep young people busy in important activities and would give their lives direction and meaning. It would increase their skills, raise their standards, prevent them from falling into idleness and trouble, and incidentally enable them to supplement their family incomes. (So that there may be no misunderstanding, I am not proposing that there be less formal education or that we return to older practices in the employment of children. I am only proposing, vaguely I am afraid, that many potential cases of poverty and shiftlessness might be arrested by modification of our present educational and employment practices.)

With reference to older workers, present practices regarding retirement may be seriously questioned. Ways should be found to permit older workers, if they choose, to taper off rather than to be cut off at some arbitrary age.

Similarly more opportunities for the handicapped should be provided in the form of part-time work, work to be done in the home, special arrangements, etc.

With reference to mothers with young children, important needs are child-care centers, provision for children of school age during after-school periods, and adjustment of hours for working women to their family responsibilities. It may well be that the educational schedules (children free after 2:30 p. m. and long holiday periods) need revision at least for children of working mothers. Educa-

³⁸ I am indebted to Prof. Emile Despres, of Williams College, for some of the ideas expressed in this section. For a general discussion of labor mobility, see E. W. Bakke and others, *Labor Mobility and Economic Opportunity*, New York, John Wiley & Sons, 1954.

tional schedules are worked out to fit an agricultural society and are not well adapted to urban industrial conditions.

(g) *Discrimination.*—Continuing efforts toward eliminating discrimination against minority racial and religious groups are needed.

(h) *Large families.*—Little systematic effort has been made in this country to deal with poverty due to large size of family—except through direct relief. Several other countries, among them England and Canada, have been experimenting with family allowances. The applicability of family allowances to the United States should be explored.³⁹

(i) *Private pension plans.*—The provisions of private pension schemes are often too restrictive to provide security in old age for any sizable percentage of our labor force. Individual workers typically have no vested rights in these plans. As C. L. Dearing states: "He must not only survive to the age of retirement to realize any benefits, but must be in the employ of the sponsoring company at retirement age."⁴⁰ Such pension plans also reduce worker mobility. We need to work out an integration of private pension plans into some national private or public organization which will protect the individual without regard for his longevity or employment status at time of retirement. The Teachers Insurance & Annuity Association which provides pensions for college teachers might be a useful analog.

(j) *Social insurance and public assistance programs.*—The coverage, benefit rates, and other provisions of social security and public assistance programs should be reviewed. These programs are constantly under political discussion, and notable advances have been made in recent years. The programs particularly requiring attention are unemployment insurance, aid to dependent children, old-age assistance, and direct assistance. These are the programs in which there is divided responsibility among Federal, State, and local governments. Items requiring special attention are merit-rating under unemployment insurance, arbitrary distinctions that determine coverage (such as industry in which employed or size of employing firm), the role of grants-in-aid in equalizing costs and benefits in various parts of this country, arbitrary distinction between insurance and relief, the possible integration of the many separate programs.

15. SOME ETHICAL ISSUES

In our thinking about policies to relieve poverty (mainly social insurance and various types of public assistance) several ethical questions arise. First, what is the relation of these programs to the self-respect and independence of low-income persons? Second, is a person responsible for his own mistakes, and if so, should a distinction be made between poverty which results from mistakes and poverty which results from circumstances beyond individual control? Third, what is the relation of these programs to the incentives of both recipients and nonrecipients? Fourth, should the amount of aid received by families be determined on the basis of a uniform minimal standard of need, or should this standard vary according to the previous levels of living of the recipients and the standards of local communities? Fifth, should heads of families have the right to choose to be poor, i. e., have the right to indulge in what we often call laziness or shiftlessness, and if so, what should be done about the dependents of such persons?

Mr. BOWEN. I would like to say, first, that we owe a great deal to this subcommittee for focusing attention upon the problem of poverty as a whole as distinct from particular parts of the problem. We have conducted so many studies, and have legislated in so many ways about particular parts of the problem that the time has come to look at poverty as a whole, and to see where the legislation up to this point falls short of meeting the problem.

Another thing that has impressed me is that we know very little about the extent of poverty. In spite of the tremendous volume of statistics we have on income distribution, and the like, we do not really know how many poor people there are, and we do not know in

³⁹ See R. Chambers, *Family Allowances in Great Britain, Canada, Australia, and New Zealand*, *Eugenics Quarterly*, March 1954, pp. 21-27.

⁴⁰ C. L. Dearing, *Industrial Pensions*, Brookings Institution, Washington, 1954, p. 217. See also *Pensions in the United States*, Joint Committee on the Economic Report, Joint Committee Print, 82d Cong., 2d sess., 1953.

any definite way what the causes of this poverty may be. I should recommend strongly a nationwide study of poverty to determine its extent and its causes.

Regarding cures for poverty, I have several suggestions. Some of them parallel statements made by Secretary Folsom. I would emphasize what he said about the problem of catastrophic illness.

Most of our insurance programs and our health programs have to do with meeting the cost of medical care, but they do not help to meet the loss of income. A few programs do this: Workmen's compensation, some of the disability benefits for veterans, and some of the public assistance programs. But, generally speaking, the great source of poverty arising from illness is loss of income, especially when the illness occurs over a protracted period.

I should think that we ought to consider very seriously a comprehensive system of insurance to cover medical cost and loss of earnings especially in cases of catastrophic illness. The deductible plans which Secretary Folsom mentioned should certainly be given careful consideration.

Another area is education. I think that the present position of our educational system can properly be described as one of crisis; that a great deal needs to be done; and that the problem is most acute in areas where poverty exists because those are the very areas that cannot afford good education and the very areas in which the motivation toward education is perhaps the lowest.

Another subject that was not mentioned by the Secretary, but which I think is extremely important—and this is nothing new—is housing. Housing is a way of providing better standards in the way of raising the aspirations and improving the health of people. Much has been done along this line in recent years, but much more could be done before the slums and substandard housing in this country are eliminated.

Also, any study of our social security system, and all of the related measures for the alleviation of poverty, will show wide disparities in the benefits among various parts of the country. For example, these programs in some States pay 5 and 6 times as much, on the average, as in other States, and the very States in which poverty is most widespread are the ones in which the benefits are lowest. The problem here is similar to that for education, the quality of education being lowest in those areas in which poverty is most widespread.

While I would not argue for complete nationwide uniformity of social services, or federalization of all social welfare services, I believe that we have excessive and arbitrary inequities among areas in our present system, and nothing short of greater participation by the Federal Government in these programs will suffice.

I should like to make some comments about the marginal workers, which the Secretary referred to. Much of the poverty occurs among younger persons who have not achieved a satisfactory level of wages, among older persons, the handicapped, and women with family responsibilities. I think greater flexibility in hours of work, greater opportunities for part-time employment, and special efforts to create tenable jobs for these groups would be useful.

Regarding younger persons, it is possible that our present educational and employment practices may not be ideal. The present school attendance requirements and child work laws prevent young

people from entering the labor market, and thus contributing to incomes of their families. At the same time, the present educational system in many areas does not fully command the time, energies, or interests of many teenagers. These two considerations may partly explain the apparent widespread frustration among American youth and these considerations lead me to two tentative suggestions: First, that the educational program for many students should occupy more of their time and energy and the additional effort should be directed toward training for jobs, and, second, that more part-time work in the nature of apprenticeships should be available for young people, preferably arranged so that the work would be closely correlated with the educational programs.

I am thinking of opportunities for urban youth, similar to those now available for rural youth, who can study agriculture, belong to 4-H Clubs, and do part-time work on farms. Such a program would help keep young people busy in important activities. It would increase their skills, raise their standards, and prevent them from falling into idleness and trouble, and, incidentally enable them to supplement family incomes.

I am not proposing that there be less formal education or that we should return to the older practices of child labor. I am merely suggesting that our educational system might be geared more closely to preparation for jobs, and that education might be made more meaningful for young people in the teen-age category.

With reference to older workers, I would endorse what the Secretary said about desirability of flexible retirement ages.

With reference to mothers of young children, I think some very simple things could be done which would alleviate the problem considerably. We need provision for children of school age during after-school periods. One of the problems of the working mother is the care of children when the children are out of school. I think that adjustment might be made in two ways: We might adjust the hours for working women so that they could meet their family responsibilities more adequately, and also educational schedules might be worked out to meet the problem of the working mother.

Educational schedules generally were designed for agricultural communities and not for urban conditions. The care of children in schools during the working periods and the elimination of unnecessary vacations (with proper educational programs) might go a long way toward helping mothers with dependent children.

I will just make a note about discrimination against minority racial and religious groups, which is a major source of poverty in this country, and on which additional action is required.

The Secretary referred to the inadequacy of many of our pension plans, industrial pension plans in particular, in which there is delayed vesting of the pension in the worker. Under these schemes, when a worker moves from one job to another, he loses pension rights and frequently ends up at retirement age without adequate income. It seems to me that we should do what the Secretary said, permit easier and quicker vesting of these annuities in the workers. Also there might be a place for some kind of national pooled annuity scheme in which an individual could have his retirement annuity and carry it with him intact as he changed jobs so that his retirement would not be dependent upon the particular history of his working career.

Finally, I would emphasize something that I alluded to a moment ago. In order to relieve the inequities among various parts of the United States in the care of and prevention of poverty, we should consider increased amounts of Federal financial aid.

I am referring to cooperative State and local programs, involving grants-in-aid by the Federal Government to the State and local communities.

The State and local communities at the present time are almost uniformly in financial distress. That applies to our great cities, and it applies to our small communities, as well. We have loaded upon these areas responsibility to do things for which they do not have adequate financial resources. I think we would go far in solving the problems we are talking about today if we were to find ways of improving the financial strength of local government.

Senator SPARKMAN. Thank you.

Now, Mr. Fishman, would you proceed?

STATEMENT OF LEO FISHMAN, PROFESSOR OF ECONOMICS AND FINANCE, WEST VIRGINIA UNIVERSITY

Mr. FISHMAN. During the 1940's, as a result of the tremendous economic effort involved in waging and winning World War II, employment, production, and purchasing power all rose to record-breaking levels in this country. Unemployment decreased to a level far below that which many experts in this field had earlier considered the minimum amount possible in a free economy.

With these developments of the recent past uppermost in their minds, those who were most active in drafting and supporting the Employment Act of 1946 may well have believed that as long as the general economic policy of the Federal Government was such as to maintain or achieve a high overall level of employment, production and purchasing power, unemployment and low incomes would not become serious problems for any considerable length of time, or for any considerable portion of the population.

Those who are familiar with this background and with the general nature of the provisions of the Employment Act of 1946 may sometimes assume that comprehensive economic measures, such as monetary and fiscal measures, are the only ones which the Federal Government is empowered to use for purposes of carrying out the provisions of this act. Such an assumption, however, is not justified.

Section 2 of the Employment Act of 1946, entitled "Declaration of Policy," reads in part as follows:

The Congress hereby declares that it is the continuing policy and responsibility of the Federal Government to use all practicable means * * * to coordinate and utilize all its plans, functions, and resources for the purpose of creating and maintaining * * * conditions under which there will be afforded useful employment, opportunities * * * for those able, willing, and seeking to work, and to promote maximum employment, production, and purchasing power.

It is significant that the act does not only proclaim it to be the responsibility of the Federal Government to attempt to maintain or achieve a high level of employment, production, and purchasing power, but, rather, to promote maximum employment, production, and purchasing power, and to create and maintain conditions such

that useful employment opportunities will be afforded those able, willing, and seeking to work.

It is fortunate that the promulgators of the Employment Act of 1946, however great their hope and faith in the efficacy of comprehensive economic measures for purposes of maximizing employment, production, and purchasing power, and affording useful employment opportunities to those willing, able, and seeking to work, did not limit the efforts of the Federal Government in this manner.

For our experience since the passage of the Employment Act of 1946 indicates that it is quite possible in a large country such as the United States, with its complex and diversified economy, to have a high overall level of employment, production, and purchasing power, and at the same time to have particular areas, industries, or economic groups experiencing serious problems as a result of protracted periods of unemployment and low income.

In September, for example, there were 120 large and small labor market areas in which 6 percent or more of the workers were unemployed. Under such conditions it seems clear that useful employment opportunities are not being afforded all who are willing, able, and seeking to work, and maximum employment, production, and purchasing power are not being realized.

Yet our experience of recent years also seems to indicate that comprehensive economic measures designed to achieve or to maintain overall economic well-being are not sufficient by themselves to move us very much closer to these goals. Moreover, it has been argued with much justification that in an incipient inflationary situation, such as that which has prevailed for some months now, any further measures to stimulate the overall level of economic activity would be very dangerous.

Under these circumstances, measures designed to deal with the problem more specifically, by increasing the productivity and earnings of those in the low-income group are certainly compatible with the statement of national policy embodied in the Employment Act of 1946 and are economically justified. For such measures could afford useful employment opportunities to those who are presently unemployed or underemployed despite their ability and willingness to work, and thus would constitute a step in the direction of maximizing employment, production, and purchasing power. They would enable us to make fuller use of presently underutilized resources, without imposing undesirable strains on those resources which already are being utilized at or close to capacity.

Moreover, such measures, if properly conceived and executed, would not only promote the general welfare but would also serve to strengthen one of the weak links in that complex chain of economic institutions which we call the competitive or free enterprise system—the economic system which has made it possible for the population of this country, on the whole, to enjoy the highest level of material well-being yet achieved by mankind.

While the basic economic advantage of a program designed to raise the productivity and earnings of low-income families would arise from the increase in aggregate production of goods and services realized through fuller utilization of manpower which is presently either idle or underutilized, certain corollary advantages should not be ignored. One such advantage which does not seem too important now, perhaps,

but which might prove much more significant in the months and years ahead, is the fact that additional income and purchasing power in the hands of low-income families can help to sustain aggregate demand and prevent it from dropping precipitately in the face of deflationary influences.

The advantages suggested above would not automatically result from any set of measures intended to help low-income families and at the same time promote the purposes set forth in the Employment Act of 1946. Before any substantial portion of the Nation's resources is committed to such a program that program must be evaluated in terms of a carefully considered set of criteria.

Stability and permanence of the results which may be achieved should certainly be a primary consideration. Palliative solutions should be avoided in favor of measures which are economically sound and socially constructive. The primary objective must be correction or amelioration of the basic conditions which have kept family income low, despite the ability and willingness of family members to work.

Measures which might have undesirable economic side effects should also be avoided. At the present time, for example, any measure which might exert inflationary pressure upon the economy would be undesirable, because in the long run it might defeat the purpose it was intended to serve. Similarly, any measure which might hurt certain industries, areas, or economic groups while helping others, should be avoided.

But despite the importance of stability and permanence of results as criteria, it is at least equally important to remember that because of the uncertainties of the future, those who formulate Federal economic policy must be primarily concerned with the short-run and the intermediate period, rather than the long-run effects of alternative policies. Measures adopted for the purpose of achieving the objectives of the Employment Act of 1946 should be designed to achieve those objectives within a reasonable period of time.

For this reason specific measures would seem preferable to comprehensive measures, in dealing with specific trouble spots in our economy. Comprehensive measures might not yield the desired results in the short run or in an intermediate period, and in the long run other influences might seriously interfere with their efficacy or appropriateness.

Other criteria which must be taken into account are the financial costs of alternative programs, the administrative feasibility, and their probable effects on free competitive enterprise. Only measures which appear desirable when evaluated in terms of these criteria should be considered.

But economic criteria, important as they are, should not be relied upon to the exclusion of all others. Under the terms of the Employment Act of 1946, the responsibility of the Federal Government to promote maximum employment, production, and purchasing power must be fulfilled "in a manner calculated to foster and promote free competitive enterprise and the general welfare," and neither free competitive enterprise nor the general welfare can be described or measured in purely economic terms.

Evaluation of Federal programs aiding low-income families, on the basis of economic values alone is particularly undesirable. The national interest will best be served if we employ yardsticks which

take account of humanitarian goals as well. Our experience during World War I and World War II demonstrated beyond reasonable doubt the importance of a vigorous and flexible economy in time of war. But we must not forget that both of those wars also indicated the importance of a healthy, intelligent, and resourceful population, possessing the firm conviction that their way of life is worth preserving.

Although the most striking illustrations are provided by our wartime experience, it is equally true in time of peace that our national interest is best served by measures which will both contribute to our economic well-being, and to the mental and physical welfare and satisfactory adjustment to life of our population.

In fact, it is not possible to maintain a clear-cut distinction between these two types of objectives or values. The enduring strength of the United States, or of any other country, must be measured not in terms of economic achievement or capacity alone, but in terms of the devotion of the population to its basic institutions. Such devotion thrives in an atmosphere in which individuals are able to maintain their own dignity as human beings, and in which they feel that they are able both to participate in, and contribute to, the well-being of the social group.

But in a money economy such as ours, a very low income is rarely compatible with a sense of dignity; while a sense of participating in, and contributing to, the well-being of the social group is, for many individuals, dependent on the nature of their employment or, indeed, on whether or not they are gainfully employed. And, on the other hand, individuals who have a sense of dignity and a sense of participating in, and contributing to, the general welfare are likely to behave in a more responsible fashion, and to be more productive in a purely economic sense, than those who have not.

Adoption and adequate implementation of a program to aid low-income families, which is truly satisfactory in terms of the objectives and criteria suggested above, must be preceded, or at least accompanied, by a change in our concept of social responsibility. We already accept responsibility for providing economic assistance collectively through voluntary organizations and Government agencies to those persons and families who are unable to provide for their minimum needs because of age, physical handicaps, or certain temporary emergencies. We recognize also that adequate fulfillment of this social responsibility necessitates action by the Federal Government, as well as by local and State agencies.

As desirable as it may be that we both accept and fulfill our social responsibility toward those who are unable to provide for their minimum needs, however, there is another closely related responsibility which we have been much slower in acknowledging and acting upon. Economic assistance to those who cannot work because of physical handicaps or age, or to those who are the victims of some temporary emergency, may always be needed. But there is another need which is at least equally great and equally persistent, which can only be satisfied by broad social action: The need of those in the low-income group who cannot lift themselves out of it despite the fact that they are willing, and able, to work.

In many cases local organizations, both voluntary and governmental, have already been alerted to this problem, and have made valiant efforts to cope with it. But these efforts for the most part

have not yielded any appreciable, lasting improvement in the situation of those whose incomes are low because they are unemployed or underemployed despite their willingness and ability to work.

Broadening our concept of social responsibility and the sphere of social action to include measures by the Federal Government which would help those in this unfortunate situation to increase their productivity and earnings, would yield results desirable from an economic as well as a humanitarian point of view. If satisfactory measures were adopted, in addition to an improvement in the sense of well-being of the individuals and families concerned, and a more general sense of solidarity and national unity, there would be an increase in overall production, employment, and purchasing power.

Moreover, if our concept of social responsibility and the sphere of social action were broadened in this fashion, it seems highly likely that some of those individuals and families who are now the recipients of outright gifts because they are considered unable to provide for their own needs, might actually be helped to assume a more active economic role. Their condition would thus be improved in a more lasting manner, and in a manner much more desirable in terms of the economic costs and consequences, as well as the effects upon individual, family, and social morale.

Such a change in our concept of social responsibility, however, will not occur without some effort on the part of those who are concerned with this matter. A good deal of educational work may be necessary before economists, legislators, Government administrators, and the general public are ready to make the necessary change.

Senator SPARKMAN. Thank you, Mr. Fishman. Mr. Myers, may we have your discussion?

**STATEMENT OF HOWARD B. MYERS, RESEARCH DIRECTOR,
COMMITTEE FOR ECONOMIC DEVELOPMENT**

Mr. MYERS. Yes; I have submitted a statement which I will read with some deletions.

I want to make clear at the outset that I am presenting my own personal views, and not necessarily those of the Committee for Economic Development, which has not as yet studied most of these questions.

It is a paradox that despite our large and rapidly growing national income some groups in the population appear to exist in poverty which at least relatively is worse than that in most other underdeveloped countries. The misery in some of the worst areas of American poverty is, I think, greater, relative to the rest of the population, at least, than that in most any of the European countries. Much of this poverty appears to be persistent, continuing from generation to generation in the same areas.

These groups represent an important economic waste. Appropriate measures to improve their productivity and earning capacity can enlarge our national income by increasing the efficiency with which we use our national resources. Moreover, these groups create real dangers for our national society. Thus measures to assist them can be justified on economic and on political as well as on humanitarian grounds.

I would like to join with Mr. Bowen in urging further study of these groups, to identify them, to ascertain causes of their poverty, and to judge the effectiveness of the existing programs to help them.

Your subcommittee has already made important contributions to our knowledge in this field, and I hope that the present series of hearings will contribute further to that knowledge.

I should like to make the point that we have been asked today to discuss only one aspect of this problem. Providing assistance for low-income families involves and should involve responsibilities on the part of many public and private bodies—State and local governments, and private organizations of various types, as well as of the Federal Government. As I understand it we have been asked to discuss only the Federal role in this field.

I believe the Federal role in this field is an important and positive one. But I also believe that the Federal role is limited in important respects, by both political and economic factors. The principal Federal responsibilities in this field seem to me to be three:

First, to use its broad powers to create an economic climate conducive to maintained high employment, with increasing productivity and rising incomes.

Second, to take measures to increase economic opportunities for its citizens.

Third, to assist in alleviating poverty wherever real distress exists.

I would agree with the Secretary in saying that maintaining a favorable economic climate is by all odds the most important field for effective action to assist low-income families on the part of the Federal Government. If an adequate supply of productive jobs exists, most families can attain acceptable incomes through their own efforts. If the supply of jobs is seriously deficient, economic distress will exist despite anything the Federal Government or others can do.

This is an area in which existing Federal powers are great. Through monetary and budgetary policy the Federal Government can exercise a powerful influence to maintain an adequate level of total demand—and adequate demand is the key to the maintenance of high employment. Through its tax laws and through other laws it can preserve adequate work, production, and investment incentives, and can stimulate the development of new and more efficient products and processes, and these incentives and stimuli are essential to rapid productivity gains and rising real incomes.

An economic climate favorable to high productivity and rising incomes calls also for the preservation of a free competitive economy, one in which ease of access to all occupations and industries is maintained. Here, too, the Federal Government has great powers, exercised in part through antimonopoly legislation.

It is only recently that we have begun to study the ways in which these powerful instruments can be utilized to help stabilize the economy at high levels of economic activity and to increase its productivity. We still have a great deal to learn about their use. There is also need to adapt our antimonopoly legislation to present-day needs. In my opinion, the Federal Government can make its greatest contribution to assisting low-income families through the more effective use of these powers.

These measures to maintain high employment and productivity will act powerfully to increase economic opportunities. But I would agree with Mr. Fishman that the general measures used for these purposes need to be supplemented by specific steps to increase opportunities for disadvantaged persons and families. The jobless, workers with obsolescent or low-grade skills, and workers in distressed areas, can be helped by increasing their mobility, by improving their work skills, and in some cases by increasing the resources available to them in their present locations.

In this area State and local governments have and should retain a large share of responsibility. But the Federal responsibilities are important. The Federal Government should assume leadership in the development of effective measures to increase economic opportunities, should supply specialized technical services, and some of the needed funds, and should assume special responsibility for interstate operations.

Thus the Federal Government should take the leadership in the continued improvement of the employment service, particularly in interstate placement activities, and in rural areas. There is need for more and better occupational training and retraining, and here also the Federal Government has a role of leadership and financial support. The provision of managerial assistance and limited amounts of loan capital through such programs as those of the Farmers' Home Authority and the Small Business Administration, can help some families in both rural and urban areas to become self-supporting. Consideration should be given to the provision of financial and technical assistance, where needed, to help meet the costs of moving from distressed areas to localities with available job opportunities.

The Federal Government also has responsibilities for providing assistance to families who are in need because they include no employable members, or because their breadwinners are unemployed, aged, ill, incapacitated, or otherwise unable to work. For the most part Federal responsibilities for the alleviation of poverty are shared with the States. The degree of Federal participation varies widely, ranging from the federally financed and administered OASI program through the cooperative State-Federal system of unemployment compensation and the grant-in-aid programs for relief to the aged, blind, and dependent children, to relatively minor assistance to other programs in the form of research and informational programs and aid in the construction of facilities.

While I believe that caution should be exercised in any further expansion of present Federal responsibilities in this area, I also believe there is ample justification for the Federal Government to continue a stimulating and supporting role with respect to welfare programs. Such a role is justified by the need to assist in meeting burdens which are beyond the fiscal capacity of some States, to encourage reasonable uniformity of coverage and standards and thus to reduce interstate competition, and to reduce barriers to interstate mobility.

The responsibilities which I have described are important ones, but there are also important limits to Federal responsibilities in this field. To guarantee jobs for all is beyond the powers of the Federal Government, to attempt to effectuate such a guaranty would result in failure, or in a vast expansion of Federal powers which would be repugnant to

our system of government. Similarly, the Federal Government cannot assure equal economic opportunities for all, or take full responsibility for the relief of economic distress, without undesirable encroachment on the prerogatives of State and local governments, and on the rights of private citizens.

Nor are the limitations all political. We do not wish to achieve full employment at the expense of serious inflation, or at the cost of impaired incentives, reduced productivity, or restrictions on one's freedom to move to another job. We do not wish to alleviate the distress of a stranded community by permanently subsidizing its industries or its workers. Nor do we wish to provide opportunity for some by preventing the entry of others into an occupation or industry.

Thus Federal responsibilities to low-income families must be exercised within important limitations. We must exercise care, in attempts to assist such families, that we do not adversely affect our political institutions and that we do not conflict with economic objectives which are of equal or greater importance than assisting disadvantaged groups within the population.

The assigned limits to the length of this statement do not permit discussion of the various measures which can be employed to assist low-income families, but I believe that the choice of such measures and the proper allocation of responsibility for their use can best be determined with reference to a few general principles.

1. With respect to the allocation of responsibility for assistance to low-income families we should follow the rule recently laid down by the President's Commission on Intergovernmental Relations:

Leave to private initiative all the functions that citizens can perform privately; use the level of government closest to the community for all public functions it can handle; utilize cooperative intergovernmental arrangements where appropriate to attain economical performance and popular approval; reserve national action for residual participation where State and local governments are not fully adequate, and for the continuing responsibilities that only the National Government can undertake.

2. Insofar as possible, reliance should be placed on measures which are general and impersonal in their operation. Government should create an environment conducive to the desired response, rather than to attempt to direct specific economic activities. Thus, fiscal and monetary measures to maintain adequate demand and to preserve incentives for growth, rather than direct controls, should be relied upon to maintain high levels of productive employment. And general measures to preserve free competitive markets are to be preferred to governmental interjection into particular business decisions. As the old adage has it, "A fool can put on his coat better than a wise man can do it for him."

3. Reliance should be placed on measures which operate to increase resource mobility, rather than to reduce it. For a high degree of resource mobility is essential to a rapid rate of economic progress. Thus we should put emphasis on assisting workers to move to more productive pursuits, rather than on subsidizing them to remain in idleness or to continue in relatively unproductive work in their previous occupations or localities. We should encourage and assist industries to adopt more efficient methods, to diversify and develop new products, rather than to subsidize operations of relatively low

efficiency through tariffs, the uneconomic allocation of defense contracts, or similar devices.

4. Assistance to distressed families should be directed toward their return to a self-supporting status. This means emphasis on rehabilitation, on retraining, and on effective placement work, rather than on relief.

5. Finally, care should be exercised to see that in our desire to provide adequate assistance to low-income persons or families we do not levy too heavy a burden on the productive groups of the country, and that we do not remove the incentive of those not permanently out of the labor market to return to employment as soon as possible.

Senator SPARKMAN. Thank you, Mr. Myers.

Now, Mr. Nathan, we will hear from you.

STATEMENT OF ROBERT R. NATHAN, ROBERT R. NATHAN ASSOCIATES

Mr. NATHAN. Mr. Chairman, I will not read my statement. I will try briefly to summarize some of the more important points.

Senator SPARKMAN. The statement will be printed. All of these complete statements will be printed in the hearings.

Mr. NATHAN. First, it seems to me that if we are going to carry out the principles of the Employment Act of 1946, which talked about maximization of production and purchasing power in the country, we must face this problem as part of that act. The act, at least on the basis of approximately 10 years of experience, has given us an increased confidence in our ability to avoid mass unemployment and major depressions. However, it is clear that even the achievement of relatively full employment has left us with this problem of low-income families.

I believe the high level of employment won't solve the problem of low-income families, although it will make the problem more soluble.

Now, as far as the general approach to the problem is concerned, I think in any measure, or measures, which are undertaken to help the low-income families, we must obviously apply the economic criteria of cost against benefits. We certainly do not want to eliminate initiative in our society. We certainly do not want to destroy incentives. We certainly do not want to modify the dynamic nature of the free-enterprise system, and each measure which is proposed ought to be evaluated in those terms.

I was rather interested in what the Secretary said this morning about the fact that when the OASI was first proposed—the social-security system, some years ago now—there were great misgivings about how that would destroy the initiative and desire of individuals to take care of themselves. Yet today we find savings are at an all-time high and the social-security system hasn't made everybody dependent on Government. So I believe we must be a little cautious in having every new proposed measure objected to on the grounds it is going to destroy initiative.

I believe we should watch that, but we should be very careful in our appraisal. As far as the role of the Federal Government is concerned, it seems to me, Mr. Chairman, that there is a great responsibility there. So, if I would disagree with any views expressed here

today, perhaps the major emphasis would be on the role of the Federal Government as distinguished from State and local governments.

I happen to recall the minimum wage fights in this country 18 years ago and how some people thought the Federal system would ruin the economy. Today we know we have moved from 25 cents an hour, which sounds ridiculous in the context of 1955, to a dollar an hour as a minimum basis. It hasn't destroyed the economy. I think it helped those parts where the objection was most serious. I see nothing divine in State unemployment compensation systems, especially when the benefits have been moved up so slowly and inadequately. I believe there is nothing sacred about 26 weeks of unemployment benefits nor anything sinful about 28 weeks of unemployment compensation. That our benefits on unemployment should terminate with a certain given period, it seems to me, has no economic sense at all.

I feel that just as the OASI story and the minimum-wage story are dramatic manifestations of an intelligent approach on the part of the Federal Government, I think the same could be done with unemployment insurance and, if I may interject at the moment, also with a health-insurance scheme. We are one integrated economy and we must look at this overall economy as such. While I would like to see more power reside in the States and localities, from the economic point of view we must realize that we are really an integrated economy and when it comes to economic measures it is important that there be a national or at least an integrated approach.

The problem of the low-income families breaks itself down to two major segments. One is that of providing relief and assistance to those who are unable to be productive and to earn a living. The second concerns those who are capable or could be capable of earning more and getting out of this low-income status. As far as the relief side is concerned, I think we should realize that there are economic benefits to be derived from increased purchasing power accruing to the low-income families.

Of course, we don't want to provide free so much economic benefit that there is no incentive to work. Obviously we must be very careful about that, but I think that, first having assured that there are adequate relief measures or assistance measures to those who can't earn a living themselves, we should face the problem where it is most serious—in terms of the positive measures that can be undertaken to increase the productivity and the earning power of the low-income group. That is the area where I think we ought to really concentrate. What can we do in a positive, more constructive way to increase the earning power of those in the low-income groups? I think many things can be done. Because of the shortage of time, I will merely list those that seem most important to me.

First, I feel that education is one area in which a tremendous amount of activity can be undertaken and should be undertaken. I agree with Secretary Folsom that we have a shortage of teachers and a shortage of schoolrooms, and it is due to the war, but the war is 10 years past now. In these 10 years we have built an awful lot of structures in this country. I think it is tragic that we have neglected the physical facilities in education at a time when we had so much productive capacity being utilized. I hope that will be corrected, because by the wonderful report your committee presented, clearly evidenced that lack of educational background is an important factor in low incomes.

More seriously, it is going to be an important factor in the children of those in the low-income brackets, as the Secretary pointed out. I certainly feel that a positive Federal program of assistance in education is needed.

I am very happy that Dr. Bowen raised the same question on housing, because there is a vicious circle in that area. When you don't provide adequate housing unfortunately you limit the productivity of the individual.

I feel the same thing is true in health. I am sure if a correlation were made of the per capita number of doctors, or the per capita number of beds in hospitals, in relation to income, you would find that the low-income communities or areas in the country are those that have the lowest medical facilities. Again it is the vicious circle. They haven't got enough money to provide adequate medical care with their own resources. That in turn limits their health, which in turn limits productivity. I think we have got to break that vicious circle by some governmental action.

I think there are possibilities certainly in the road program of helping some of the stranded communities and less productive areas. I believe that the allocation of Government contracts ought to be much more vigorously used to help in economically depressed geographic sections. I think in such areas as tax amortization and our dispersal program, the Federal Government could use these measures positively to help many communities. It could help them to rehabilitate themselves and develop industry and without economic cost. I don't mean it would be a good idea in dispersal for defense purposes to throw plants here and yon merely because a community is stranded, but I think considerations of economic need could be given fullest weight and help those communities.

I think one very important matter which I should like to emphasize, as Dr. Bowen did, too, is the matter of racial discrimination. I believe minority groups during World War II demonstrated their capacity to be much more productive, to earn a great deal more than they ever could before. I believe, unfortunately, we have probably relaxed in our fight against job discrimination after the war, and I suspect that, had the vigorous fight against job discrimination persisted after the war, we would have less groups in the low-income categories today, and the country would be more productive.

I think positive efforts in the direction of helping handicapped could also be undertaken. These are merely illustrative of the kinds of positive measures I think the Federal Government can undertake. While State and local governments should be encouraged to do their utmost, I think the Federal Government has to take the initiative and carry the major responsibility in this area.

Senator SPARKMAN. Thank you very much, Mr. Nathan.
(The complete statement of Mr. Nathan is as follows:)

STATEMENT OF ROBERT R. NATHAN, PRESIDENT, ROBERT R. NATHAN ASSOCIATES, INC.

Mr. Chairman and members of the subcommittee, this opportunity to appear before your subcommittee on the vital subject of low-income families is very much appreciated. Your subcommittee is to be commended on its concern with this problem and on having arranged these hearings. My work over a period of many years in the field of national income and in many undeveloped and underdeveloped areas abroad has convinced me that the complex problem of poverty requires not

only sympathetic attention and thorough study, but also positive governmental actions leading to its alleviation and ultimate solution.

There are two major aspects of the problem. In the first place, modern technology has truly made it possible to produce goods and services in sufficient quantities to eliminate poverty. The scope and depth of poverty in many parts of the world are such that considerable time will be needed to achieve this objective, but surely no one can argue effectively that it is achievable. Secondly, the term "low income" is relative in time and location. What we regard as a low income in the United States may be a middle or even a high income in many countries. What we term "a low income today" was, in real terms, a middle income only a generation or two ago. And today's middle income will be a low income before the end of the century. Poverty or low incomes must therefore be appraised in the light of current and national circumstances. In such terms, we do have an important and challenging problem.

In considering the role of the Federal Government, it seems to me appropriate first to relate the subject before this committee today to the broader question of the role of the Government in our overall economic life. With the Employment Act of 1946 as an established fact, it might seem unnecessary to discuss the matter of Government's function in the economic health of the Nation. Yet, we must realize that the Employment Act of 1946 was not without opposition and that many of the more conservative elements in our country are still not reconciled to this legislation. Their continued opposition manifests itself in pressure to interpret the law narrowly, to minimize the activities of the Government in the field of economic policies and operations, and to resist most new economic legislation. A full understanding of this opposition, in considering the subject before us today, is by no means a matter of beating a dead horse over the head.

Behind the struggle for legislating the principles embodied in the Employment Act of 1946 was the determination on the part of its supporters to prevent the recurrence of major depressions and mass unemployment. Recurrence of the tragic hardships of individuals and families and the vast waste of the 1930's had to be prevented. Further, the demonstration during the war of what could be accomplished with the full mobilization of our productive resources made the conditions of the thirties even more intolerable.

Measured against this basic objective of sustained high levels of employment spelled out in the Employment Act of 1946, the success to date, with some exceptions, has been most gratifying. No responsible person would be so brash to as contend that unemployment and unutilized resources have become a purely historic phenomenon and that we have learned all there is to be known about controlling the business cycle and maximizing employment, production, and purchasing power. We still have a long way to go in learning how to maximize the output of our economy in the United States for the benefit of all our citizens. But we have taken great strides forward. There are almost no economists today who believe that major depressions are inevitable or who espouse the principles that the Government should do absolutely nothing to prevent depressions. When one realizes the vast changes in attitudes, conceptually and implementation-wise, on this particular subject over only a couple of decades, the progress is impressive.

Ten years of peace and disarmament, war and rearmament, inflation and recession, have afforded some basis for evaluating the Employment Act of 1946. Three conclusions stand out boldly. First, this has been a decade of unparalleled growth and prosperity. Second, the Federal Government has generally played an active role in promoting this prosperity. Third, we have come to realize that while so-called full employment is a major achievement, it does not solve all of our economic problems. It has resulted in a big increase in living standards; the rate of technological progress has risen; and the benefits of our expanded productive capacity are more widely spread among our citizens than ever before. However, as already stated, there are still many problems to be solved. When and if we solve those which we recognize today, there will be more problems to solve tomorrow. That is to be expected.

Perhaps it is the prospect of the continuing process of new recognition of problems and new searches for their solutions which are so distressing to the more conservative elements. Those in favor of status quo never like to see adaptations to any change because they realize that there will be more and more adaptations to more and more changes as time goes by. Just as they fought the Employment Act of 1946, so they will fight every further progressive economic measure of the Government and will regard each successive step as an invasion of individual freedom, a violation of the principles of the free-enterprise system, and as a further move toward changing our basic ideologies. We must face these views in recognizing and seeking answers to the problem of low incomes.

May I add one more thought about this broad consideration before moving on to our specific subject. Today our economic freedoms are greater than ever before. As a matter of fact, the 1929 depression probably imposed the most serious denials of economic freedom and opportunities upon individuals and upon business enterprises this country ever experienced. Widespread bankruptcy and mass unemployment, attributable to general economic distress and not to the deficiencies of the businessman or the worker, represent, in my judgment, far greater denials of economic freedom than all the economic legislation on the books of this country from its very beginning. Most of the economic laws we have adopted have been designed and have served to increase the freedom and opportunity of our people.

I have dealt with this matter of the role of Government in the overall economy at some length because it should be helpful in facing the problem posed for discussion today. That there is a problem of low income families in this country, despite record levels of production and prosperity, of high wage rates and moderate levels of unemployment, is unquestionable. If anyone had doubts about whether such a problem exists, the materials assembled by the staff of this committee and published 3 weeks ago should dispel any such doubts. This report is a most valuable document. Instead of dealing with a subject in generalities, it presents a mass of statistical material and objective analyses, in usable and impressive form. Such documentation makes it possible to deal with the problem of low income families on a much more solid basis than heretofore. The American people will be indebted to this committee for many years to come for having presented and factually documented the problem so well.

Now, having recognized that there is a problem of low income families, an appraisal of what can and should be done about it should properly start with a consideration of the role of the Government in its solution. The problem has not been solved by so-called full employment. I believe it will not be solved unless the Federal Government does something about it. Those who opposed with vigor the Employment Act of 1946 and who have continued to oppose every piece of constructive legislation in the economic field will likely say that the problem is not the responsibility of the Government; that the present moderate level of unemployment means that there are job opportunities for everyone who is willing and able to work; that efforts to help the low income families will destroy initiative and self-reliance; that it is contrary to the spirit of freedom and free enterprise to assist such families; and that we have already gone too far in interfering with free processes of the economy. Perhaps it will not be stated quite so brutally, but in essence they will say that the right to suffer privation and to live in poverty, even though it may be through no fault of the individual or family, is one of the basic freedoms that should be protected. This is complete negativism and, in my judgment, contrary not only to the best interests of the country, but also contrary to the underlying principles of the Employment Act of 1946.

If we accept the conclusion that Government has a responsibility to the low income groups, then we must break the problem down into components or categories which call for different analytical and policy approaches. Two broad classifications are apparent. First there is the large body of families and individuals with low incomes because of the unemployability of family members. Second are the low income groups whose status can be ascribed to other factors. The lines of distinction between the two are not always clear. Efforts should be made to facilitate the shift of those who could be made productive from the first to the second category. Beyond that, the social security and relief programs of Government should place a decent minimum floor of benefits under the former group. The problem of the latter group is the one around which our discussion today should center.

Before considering the role of Government in increasing the productivity of those who are employable, we must recognize that the assistance program for the unemployables has significant economic implications. The larger the grants to low income families, the larger will be the consumer demand in the market place. They can be a factor in the stability of consumer demand. Such grants represent transfers of income from one segment of the population to another. They affect the degree of concentration in income distribution, depending on the types of taxes assessed for this purpose. They can be helpful in bringing about a more stable relationship between savings, consumption, and investment. Therefore, while assuring some minimum income to unemployables is essential from a humanitarian point of view, its economic consequences should not be ignored.

To answer the first question posed to the participants in this morning's session, it seems to me that it is not only compatible with the Employment Act of 1946,

but essential in carrying out that act for the Federal Government to undertake programs to increase productivity and earnings of the low-income groups in our society. When we talk about maximum employment and maximum production, inevitably we mean maximum utilization of all our productive resources. Our most valuable resource is our manpower. When people capable of becoming more productive are actually producing and earning far less than their capabilities permit, then we are certainly not maximizing our employment and our production and we are not carrying out the objectives of the Employment Act of 1946. Therefore, every effort must be made on the part of the Federal Government to increase productivity and earnings of the low-income groups.

As stated before, full employment does not solve the low-income problem, but makes the problem more soluble. We should recognize that full employment not only is essential for a prosperous society, but by making available job opportunities it facilitates the process of increasing the productivity and earning power of the low-income group. Generally, marginal producers have little opportunity when there is mass unemployment, but are far better able to upgrade themselves in periods of full employment. The demand for workers during the war shrank the number of low-income families not only because the unemployed were put to work, but also because there were so many opportunities for persons on marginal farms or in stranded communities to migrate; for the physically handicapped to demonstrate their abilities to produce; for minority groups to overcome job discrimination; for upgrading to take place all along the line. Therefore, we should recognize both the fact that full employment does automatically help toward the solution of the low-income problem, but that the problem persists even with full employment and that it requires special attention.

The bare fact that literally billions of dollars worth of goods and services each year are being lost because of the low productivity and low incomes of so many of our families, is ample economic justification for positive programs on the part of the Government to do something about this problem. I am convinced that the direct costs of such programs will be far less than the value of increased output each year. More important, the benefits to the economy will continue year after year.

As with all economic problems, we must take into account all of the costs in relation to all of the benefits. One of the possible costs to be appraised is that of any adverse impact on the general health of our economy resulting from such programs. In other words, if the Federal Government pursues policies and adopts programs to assist low-income families to increase their productive capacity and their earnings, will these have offsetting adverse consequences elsewhere in the community in terms of lowering the rate of improvement in overall productivity and limiting our economic progress? These are proper questions and they must be subjected to such an inquiry. Perhaps the most serious question about the cost of such programs involves the forces underlying the dynamic nature of our economy and the resourcefulness of individuals in their productive endeavors.

If the Federal Government were to undertake programs which weaken the dynamic features of our free enterprise society or which destroyed incentives for assuming risks and for the development of new ideas and new processes and new products, then we would truly be faced with a very serious policy dilemma. If a program to help the low-income groups were to have these results, it would probably be better to abandon such a program and merely support adequate relief and assistance programs. Such assistance must not be so large as to take away the incentive to work. In other words, programs should be designed so as not to destroy the dynamic features of our economic system. I, myself, do not foresee such danger in programs to increase the productivity and earning power of low-income groups. But certainly objective and intelligent appraisals are called for in this matter.

It is clear that the level and composition of both receipts and expenditures of the Federal Government played an important role in influencing economic activity. The more taxes the Government collects, the less money is left in the hands of businessmen, farmers, and workers. The more the Government spends relative to what it receives, the greater will be the purchasing power in private hands. Further, and equally important, different taxes as well as different expenditures have varying economic impacts. Therefore, in attempting to deal with the problem of low incomes the Government already possesses instrumentalities of varying potency.

Taxation affords a less powerful vehicle for helping the low-income groups than it does for correcting other deficiencies in our economy. The low income groups pay no income taxes. They are burdened with many excise taxes and are particu-

larly subject to the incidence of State and local property and sales taxes, which tend to be more regressive than do Federal taxes. While the opportunities for helping low-income families through tax relief is somewhat limited, nonetheless, further study of the opportunities in this area should be pursued. From the point of view of economic policy, it would be particularly desirable to achieve a greater degree of coordination between Federal taxation and the taxes assessed by State and local Governments. Ours is a truly integrated economy and the role of State and local Governments in affecting economic activity has been neglected far too much. The problem of low incomes provides another among many reasons for more direct attack on this matter of tax coordination.

Far more power in dealing with the low-income problem rests in the area of Government expenditures. In comparison with the total Federal budget, a few tens of millions of dollars here and there for specific development programs and an occasional hundred million or more for other programs would impose a very modest burden on the Federal budget and could bring substantial benefits not only to the low-income groups, but to the health and soundness of our entire economy. Tax relief, especially for the higher income recipients and for corporations, should be subordinated to the needs of low-income families.

The field of education is one in which more Federal participation is clearly needed. At this particular moment, educational requirements should take absolute priority over tax cuts. We find in analyzing your committee's report that the lack of education is an important factor in low incomes. Not only do many of those who fall in low-income groups suffer economically and productivity-wise because of the lack of education, but even more important, their children have limited educational opportunities and will therefore be less productive in the years and decades ahead unless there is action to improve their situation now. This is certainly one area in which Government expenditures are more important than tax cuts and for which we can well afford to meet the full requirements, which are today so shortsightedly being neglected.

Health activities also call for needed increases in Federal expenditures. We require action by the Federal Government to assure adequate health facilities for all our people. If one were to correlate the number of doctors per capita or the number of hospital beds per capita with income per capita, certainly the result would show a close relationship by States and by communities. There is a vicious circle in that the low-income groups cannot afford to pay for adequate medical attention, and this in turn results in health conditions not conducive to greater productivity and higher earning capacity.

Certainly more Federal expenditures for roads would improve economic opportunities for many cities and many farm areas which today find it difficult to move products to the market economically and in competition with other areas. By directing Federal contracts more aggressively into communities with sizable unemployment, we can help reduce the list of critical areas. The Government should use the incentive of accelerated tax amortization to encourage plant location in selected communities. The dispersal program as part of our defense against atomic attack might well lend itself to the rehabilitation of stranded communities. By varying matching grants for various purposes in accordance with some economic formula, the Federal Government can help direct more funds and therefore stimulate more buying power to parts of the country where the low-income family problem is most serious.

Certainly Federal programs which aid the low-income groups have a humanitarian basis and are justifiable on such grounds. However, it is my conviction that such programs are equally justifiable on economic grounds. I believe that both objectives should serve as a basis for evaluating Federal programs. It would seem logical in relief programs to rely more on criteria of a humanitarian nature, and in programs designed to increase productivity and earning capacity to rely more on economic criteria. In reality, both of these criteria must be taken into account. Too often we neglect to appreciate the fact that helping people so that they are then better able to help themselves, is in essence an investment. There is an economic as well as humanitarian benefit in raising one's earning capacity. The principal difficulty is that of measuring the relationship between costs and benefits for different approaches. The measurements should certainly be made in considerable part in economic terms.

Those in our society who are fortunate enough to be in the higher and middle-income brackets should be interested in helping those who are less fortunate from the point of view of self-interest. In these days of severe ideological conflict, the forces of freedom and democracy can best survive in an environment where poverty is banished or where at least great efforts are being made to banish

poverty. Our modern technical and productive capacity has demonstrated that we can produce enough to provide decent standards of living to all our people. Therefore, we have the capacity to assure everyone the opportunity to share fairly in our abundance. Having the capacity and realizing the political implications, we must also act positively to do everything we can to help the low-income groups to earn, and I emphasize the word "earn," a fair share in our abundance. It is important politically, it is important from a humanitarian point of view, and also it is important economically because it can raise total production. It can increase the size of the total pie so that there can be added prosperity for all of us.

I should like particularly to emphasize one final point. It is clear from the report of this committee that racial discrimination is an important factor in the low-income problem. There is too much discrimination and therefore too much denial of opportunity for too large a portion of our population. We need Federal and State and local legislation against discrimination in job opportunities. We saw during the war how much more productive our citizens can be, irrespective of race, creed, or color, if there is greater opportunity. From a self-interest point of view this country cannot afford the waste of manpower which still persists in too large a measure because of discrimination in job opportunities. A Fair Employment Practices Act ought to be legislated by the Congress and should be enforced toward the end that no waste will be permitted because of this un-American and undemocratic practice. Also more State and more local legislation of this nature is needed.

In summary, I am convinced that on economic grounds alone, there is not only the justification, but also the necessity for a responsible and aggressive Federal program to assist the low-income families to increase their productivity and earning power. This responsibility also rests with State and local governmental jurisdictions. There are opportunities to implement such a program in a variety of ways and I am certain that as we devote more of our attention to the problem, we can arrive at a full solution for the benefit of all Americans.

Senator SPARKMAN. Many questions have occurred to me as we have gone along. I wonder first if any panel member has any question to ask of a brother panelist.

Mr. BOWEN. I would like to ask Mr. Nathan about the kind of impact that the program he described would have on the Federal budget. What would be involved in terms of dollars?

Mr. NATHAN. I didn't try to compute the costs. I would suspect that a program of a magnitude of perhaps 1 or 2 billion dollars in these various areas would be sufficient for the next 2 or 3 years to try out the suggested programs and to appraise this adequacy and impact, including the indirect consequences.

Now, we are faced with a talk of a tax cut this year. For my money, I think it is utterly absurd to cut taxes, especially at higher income levels, and on corporations, when we don't have adequate educational facilities for our people and when the housing provisions for low-income groups are inadequate, or the health facilities and facilities for training are inadequate. I believe we could balance our budget in the next year or two if we pass up these cuts and instead provide these things which to my way of thinking are far more essential than the tax cuts.

Mr. MYERS. Do you mean a billion or two dollars in total?

Mr. NATHAN. Yes; for all these measures. I would see in the next year how that works, whether it is adequate, and what the impact is. I would like to ask Mr. Myers about this problem, his very last point, about the burden.

When you stop to think of it, if you were to take 10 percent of our families, something like 5 million, or those under a thousand dollar income, let's assume that you want to arrive at a program to increase their income by a thousand dollars per family. That is \$5 billion. Five billion dollars compared to almost \$400 billion gross national

product, or a national income received in disposable form by individuals and families of almost \$300 billion.

It is hard for me to conceive of that being a serious burden on the economy if it is properly allocated intelligently through taxes. I don't see how that could be harmful to the economy.

Mr. MYERS. I would agree that if it is properly allocated the country could stand an additional \$5 billion without seriously disruptive effect. We are a very rich country and can afford to do things that many other countries cannot do. But I would still think that the way you just suggested would be precisely the wrong way to go about the job. It seems to me that the thing to do with the low-income families is not to just give them additional income. That is basically a relief approach. I think we ought to extend smaller amounts, smaller because I think with the approach I am suggesting, we can't spend huge amounts, to provide opportunities for these people and get them into locations and occupations where they can support themselves. A program of that sort, the maximum program the Federal Government could adopt of this nature would involve expenditures of much less than \$5 billion a year, and I think at the same time would be very much more effective.

Senator SPARKMAN. By the way, Mr. Nathan, in his presentation, suggested the use of tax inducements toward helping shift industry to distressed areas. Would you go along with that kind of a program, Mr. Myers?

Mr. MYERS. I would be very, very cautious about it, Senator. I think there are some situations in which it can be helpful, but in past years of studying a good many localities in which this has been tried I must say the typical result is simply a low-grade industry in a low-grade community, or one which, after the tax exemption has expired, moves somewhere else, rather than a rejuvenated community. I won't say it can't be done, but frequently the money seems to be largely wasted.

Senator SPARKMAN. I am not sure I understood that to be the kind of inducement that he meant. I thought it was the amortization program of the Federal Government, in other words.

Mr. NATHAN. Yes.

Senator SPARKMAN. I understood him to mean the granting of tax amortization by the Federal Government, to concerns which would locate their buildings in certain areas, rather than tax exemption or other action by local governments.

Mr. NATHAN. Yes. My feeling is that is by no means going to be a major corrective, but when you are allowing plants to amortize their capital investment in, say, 5 years instead of the normal 20 years, it seems to me that you could use that kind of a criteria for this particular purpose.

Now, Mr. Myers is quite right, that you don't want to get just the low-productivity, high-labor-intensity, low-wage industries. I have seen that in Puerto Rico where we have done some work. You get some down there for the tax benefit, and they run away after the tax benefit is over. I think you can accomplish something, even if you only get 50 plants more located in distressed areas as compared with what otherwise might have taken place. I think that is a move forward. The same thing is true on the dispersal program, on the problem of atomic attack. We have concentrated our industries in

the United States to the point where if there were a war we would be terribly vulnerable. We are talking about dispersal. In that manner we shouldn't necessarily put it in a distressed area, but we should take that factor into account, which I think has not been done.

Mr. MYERS. If I may comment further—

Senator SPARKMAN. Yes, indeed.

Mr. MYERS. I think this is justifiable and desirable in cases where the economic advantages are about equal, but not in others. I think frequently it is the case that when you get a distressed area there are good reasons why it is distressed. It may be a matter of labor which isn't appropriate to the needs, it may be a matter, as Mr. Fishman will no doubt point out, of a resource, which has been, or is relatively less advantageous economically than it used to be, et cetera.

I think the danger here is that with a rapid tax writeoff approach, the device will be applied without sufficient discrimination, and what we will be doing is subsidizing industries in areas of less efficient operation. I would quite agree that when the economic factors are equal, then we should try to help the area in which unemployment is high, or which is for any reason distressed, but not beyond that point.

Mr. FISHMAN. I would like to point out that with regard to the Appalachian coalfields, which represents a major segment of the areas where we find low-income families, that among the causes of depression in those areas are some of the social, cultural, and economic factors which have been produced by the depressed conditions themselves. In other words, the fact that we have had depressed conditions in the bituminous coalfields has been a factor which has kept new industries from coming into the area. These areas have poor and rather unattractive communities, without adequate educational facilities, water supplies, sewerage facilities, hospital facilities, recreational facilities, and so forth.

From an engineering standpoint and from the standpoint of purely economic considerations, those areas are quite as desirable as other areas for purposes of industrial location, but yet new industries are not attracted to these areas because of these other considerations which are not related to their economic desirability. I think in situations of this sort, the Federal Government can make an important contribution which cannot be duplicated either by State or local governments.

Mr. NATHAN. I think Mr. Fishman is right. When a man decides to set up a new plant, obviously economic considerations are important, but also there are psychological factors. If you go into a center, the education facilities are poor, and the city is dirty, it isn't the kind of thing that is conducive for one who seeks a dynamic growth. He likes to get into an area with people who are jumping, active, excited, and developing. I think that the very location of a new plant or two in some of these communities can be a very important factor.

It is hard for me to find out why a city like Cumberland isn't able to get any plants, and Hagerstown and some other communities up here have, or southeastern Ohio—I don't mean to prejudice my own home State, but there they have this tremendous atomic development there. It might as well have been located in West Virginia for economic considerations. I don't know. I agree with Mr. Myers, if we take into account the economic, but also seek in a positive way to give

consideration to these distressed communities, I think we can do a great deal more than we have done to date.

Senator SPARKMAN. What about the industries that are already in those communities? Would they feel—I am talking about where tax benefits are given—would they feel they were being discriminated against?

Mr. NATHAN. I doubt it. I think that it would be possible to provide this kind of incentive to new ones without the existing industries feeling they would be discriminated against unless they happen to be very competitive. It is difficult to provide incentive to new enterprise when an existing competitive enterprise doesn't get it. But I think in most cases you would bring in new types of enterprise. I think existing businesses would welcome it because it creates a healthy environment for them as well.

Mr. BOWEN. More important than a tax incentive would be improvement of the educational, cultural, social facilities of these communities. A tax incentive, after all, is bound to be a temporary thing. It involves problems of inequity, possibly problems of competitive relationship. I think it would be of limited application. But there are things that could be done in these depressed areas to improve education and health, the basic facilities of communities, that would have lasting impact, not only upon those particular communities, but upon people in those communities who may migrate elsewhere, and it seems to me that the emphasis should be upon community development rather than upon tax advantages.

Mr. MYERS. I would fully agree with that.

Mr. BOWEN. I will fully agree, however, that tax incentives might be used to a limited degree.

Mr. FISHMAN. On the other hand, while I would agree with this point of view in a general way, if the Federal Government is going to stimulate movement of industries to those areas, it would help considerably if to these other advantages we also provided the tax amortization inducement.

Mr. NATHAN. I certainly agree with Dr. Bowen. It is a matter of combination. No one particular approach, I think is going to achieve the desired effect. It is a matter of attempting and experimenting with many, many devices to try to accomplish the end result. Each one may have a little marginal or additional impact that is important.

Mr. BOWEN. Another thing, Senator, when we speak of certain distressed areas, for example, the Appalachian coal region or the New England textile region, we sometimes forget there are little distressed areas in every State of the Union and every part of every State. For example, parts of New England agriculture are just as distressed as parts of Appalachian and southern Appalachian agriculture, or parts of Chicago are just as distressed as parts of, let us say, the New England textile area. I think that excessive concentration on particular large areas may be missing the boat somewhat in that we have distressed people, distressed areas, distressed neighborhoods throughout the whole country. I would rather see a program designed to ameliorate poverty in this country having general application rather than one applying to certain particular regions that we notice simply because a large area is affected.

Senator SPARKMAN. Let me ask this question: Is there any kind of a program, such as technical assistance, leadership training, assistance of that kind, that can be rendered to individual communities or to distressed areas to help them help themselves to pull out?

Mr. BOWEN. I think that is part of what I should call education. Education applies not only to young people; it also applies to older people. And one kind of education, of course, is training or the dissemination of information about alternative opportunities for work—possibly supplemented with financial assistance to people who wish to relocate. I think the educational problem is at the adult level as well as at the child level.

Senator SPARKMAN. With reference to technical assistance, I believe it was Mr. Myers who had something to say about the Farmers' Home Administration.

Mr. MYERS. Yes.

Senator SPARKMAN. Prior to that Administration there was the Farm Security Administration. Down in my area I have seen how technical assistance was handled, particularly that dealing with low-income farmers, through the Farm Security Administration, and later through the Farmers' Home Administration. It did have the effect of helping those low-income farm families bring themselves up to the point that their income increased, their living standard became higher, and in many instances they became farm owners rather than farm tenants.

Now, I am wondering if—and I certainly think that in any overall farm program that we work out there has got to be a recognition of distressed farm areas, and a provision of some such a program as that, but I wonder if this is not also true of areas that are suffering from industrial distress.

Mr. NATHAN. I would certainly think so, Mr. Chairman. I have had considerable experience abroad in recent years in the undeveloped countries, and the point 4 concept of making available American know-how to these countries has had some phenomenal results in a great many instances. I think sometimes here in the United States we assume that merely because of our reasonable homogeneous characteristics, that the technical knowledge applied in one place is readily understood and passed on to other areas. I think that assumption perhaps is not quite correct and if some of the outstanding managerial and technological talent that prevails in some of our more advanced communities could be made available by technical teams to these distressed communities, it would be very valuable.

Mr. MYERS. I think that is a very important suggestion. I think that there is a good deal the Federal Government can do about it with its present powers through the Department of Labor, Small Business Administration, and various others. More can be accomplished than is frequently assumed. Some of these efforts need to be strengthened and expanded. I made a canvass a year ago of what could be done in the way of technical assistance, managerial aid, to distressed areas in connection with some work we were doing on the tariff, and found that the resources available in the Federal Government are considerably broader than most people assume. I think the program—the Federal role—should be primarily one of leadership, providing specialized services and some funds when local and State funds and resources are not adequate, but I think the program as a

whole needs to go through all levels of Government and needs to involve private groups as well.

The experience has been, I believe, that unless there was a genuine and concerted and active interest in the locality in rebuilding itself, there is very little the Federal Government can do. Given that concerted interest, there is a great deal that can be done without anything more than, say, guidance, assistance, technical assistance from the Federal or State Government.

There is case after case in American history where communities have been rebuilt, when you had this genuine desire on the part of the locality to do the job. There are also, unfortunately, many cases where a program imposed from the outside, brought in too largely from the outside has failed.

I think you have Mr. William Batt, Jr., coming before you in one of these sessions. I hope you will ask him questions about this, because he has given it a great deal of thought, when he was here with the Department of Labor, and now in Toledo. I think he has studied this issue about as thoroughly as anyone I know. I am sure he can be very helpful in developing it.

Mr. BOWEN. May I ask a question for information? Are we talking about technical assistance to business firms or to communities, or both?

Mr. MYERS. Both. I had more in mind the communities than business firms. I would say both.

Senator SPARKMAN. I wanted to make this comment, too, which I think is in line with what you say. Oftentimes the community could do the job if they knew how to get started.

Mr. MYERS. Yes.

Senator SPARKMAN. I think perhaps there could be some kind of assistance given—I wonder if you agree with me—and undoubtedly there are facilities already available within the Government for rendering that assistance; going out and perhaps giving whatever is necessary to ignite that original spark.

Mr. FISHMAN. I would like to suggest this—

Senator SPARKMAN. May I say this: I have come across any number of communities who want something. They want something brought in to give greater employment, and there are some of these depressed and distressed bituminous coal areas in my own State. Sometimes I run across those communities. They simply don't know how to start.

Mr. FISHMAN. I have seen at firsthand the problem of depressed areas involving a larger region of the country, particularly the coal region. I am fearful that at the present time there is an excessive emphasis on the advisability of technical assistance alone. I don't think that technical assistance alone will do the job because in the case of these regions, as in the case of the underdeveloped countries of the world, what is equally important, if not more important, are large industrial facilities. Many of these areas do not have the industrial facilities to begin with to which they could apply technical know-how, even if it was acquired, and financial resources within the areas themselves are inadequate to construct the necessary facilities which are needed to provide employment and to increase productivity.

Industrial development in these areas will have to come from private sources if economic conditions in these areas are to be per-

manently improved, and the Federal Government should take the lead in attracting private firms to these areas. Technical assistance is important, but only after the necessary industrial facilities are available so that this technical knowledge can be put to practical use.

Senator SPARKMAN. I certainly would not contend that technical assistance in itself would be sufficient. It is only one of the factors I think, but I do believe that it is an important factor.

Mr. BOWEN. I am still mystified. Are we speaking of technical assistance that comes into a community that has no industries and helps the community get industries?

Senator SPARKMAN. It might do that, or it might be given in a community in which there is more or less a sick industry, where technical assistance is needed. I can point out a good many small communities in which perhaps there is only one small business. Perhaps local financing was no longer sufficient, or perhaps there were other problems that arose, and someone who is an expert along these lines could have helped out. I have in mind the little coal-mining town of Cordova, Ala., and I just happened to think of it in connection with this. A few years ago there was a little industry working there, giving employment to, I think, 25 people. But that fed 125 people. It was about to go broke. It had a good setup, but simply couldn't get the necessary financing that was needed in order to stem the tide at that particular moment. At that time the RFC was functioning. I helped them put their application through RFC and they got a loan, and it was the lifesaver of that little community. It has functioned well ever since.

I am quite sure that it has paid off its loan, and has continued to feed, not only those 125 people, but to expand and feed still more.

That is a small example, but I think a typical example, in a highly distressed area.

Mr. MYERS. Isn't the situation that technical assistance, while a very important part of the program, is still only one part of the program? This is the point you made a moment ago and I quite agree with it—or at least it is the point as I understood it—that you need technical assistance, but you also need some basic rehabilitation for the area. That is, you need educational programs, you need occupational training, and you need occupational placement advice, and things of that sort. You need all of these things.

I think it is a mistake to concentrate on any one phase of the program to the exclusion of the others; the importation of capital or technical assistance, or relief, or what not.

One of the things I think we have learned from past experience, both here and abroad, is that to be successful a program for the aid of a distressed area has to be an inclusive program which involves all of these factors and in proper relationship one to the other. I don't think, speaking to what Mr. Fishman said a moment ago, I don't agree that the first step is to bring in capital. I think that is a mistake. Capital would be wasted. I think the first step is to build an integrated program, including all of these matters, and once that is done I think the problem of getting capital in would become much easier, just as I think it would become much easier in underdeveloped areas abroad.

Mr. NATHAN. The big question is, where does the initiative come from for these so-called teams to come in and do programing, helping

community services, helping in education, and helping in training, and helping the sick industries, and helping the program program for developing new industries, and laying out a plan for the financing aspect. Where does the initiative come from? I think today they lack that. I know what Bill Batt did in Labor. The total responsibilities applied to that kind of assignment are limited today. I think if the Government were to set up some instrumentality, I am sure you could get help out of cities like New York, Detroit, or other communities on a loan basis, as is largely done in foreign assistance. You take people on leave and pay them and let teams be made available to these communities.

I am sure if General Motors, GE, Du Pont, or some of the other industries were approached and impressed with their responsibility in this area, that good management, good technicians, and so forth might be available to come in and help these industries on a temporary basis. The problem is organizing this so that there is a point from which one can depart with some positive measures and positive steps.

SENATOR SPARKMAN. I want to ask Mr. Fishman one question: Mr. Fishman, you stated in your paper that formulators of Federal economic policy should stress short-run and intermediate effects rather than long-run effects of alternative policies.

I wonder if you could explain just a little more fully what you mean by that. What do you mean by, or how do you define the term "short-run"?

MR. FISHMAN. At the present time we have about 3 million unemployed. As I mentioned earlier, a substantial number of these unemployed are living in the 120 major and minor labor market areas, in which 6 percent or more of the labor force is unemployed. These are economically depressed areas. I think something should be done for the unemployed in these areas at the present time, or within the reasonably near future. It is frequently stated that if the country succeeds in maintaining prosperous economic conditions with the help of sound fiscal and monetary policy, in time the problems of the depressed areas will be resolved, as a result of the migration of workers and families from these areas to areas in which greater employment opportunities exist. It would take an exceedingly long period of time for a solution of this type to be effected. In the meanwhile we lose the benefits of the productivity of these families, and we fail to achieve the objectives of the Employment Act. I think that the problems of the depressed areas should be considered as immediate, pressing problems and that every effort should be made to find a real solution in the relatively near future.

MR. NATHAN. You would feel at the same time, though, that you would have to begin on the policies which are going to provide the long-run direction. It is obvious that unless you have the fundamental corrective in the long run, you will have a series of short-run problems, won't you? You are always chasing after those if you can't undertake some basic measures to clear up the underlying reasons for it. Isn't it true we will be chasing after these? I would agree you should take care of immediate problems, too, but I think at the same time what we have tended to neglect is the longer-run and fundamental problem, such as Dr. Bowen said about basic educational facilities, etc. Unless you do that at the same time, it seems to me you have a never-ending problem.

Mr. FISHMAN. I tried to qualify my prepared statement to point out that stability and permanence of results which should be achieved would certainly be a primary consideration. At the same time, however, we ought not neglect the immediate problem.

Senator SPARKMAN. Your point is not against the long-range approach, but that it should be supplemented with attention to the short-run problem.

Mr. FISHMAN. That is right.

Mr. MYERS. I take it you are shooting at exclusive reliance on fiscal and monetary measures, particularly overall budgetary measures as corrective of all problems in the economy. Put that way, I would agree with you.

Mr. FISHMAN. That is right.

Mr. MYERS. I think, however, these are basic and extremely important factors. I think many people who are most concerned about the problems of distressed areas forget this fact, that without the basic influence that can be exerted by proper fiscal and monetary policy, most of our short-run or many short-run devices are merely going to be palliatives or waste effort. You need to integrate these two. I wouldn't argue that monetary and fiscal means alone can solve all problems; in fact, as I tried to point out, they cannot, but I would agree with Mr. Nathan, that any short-run action we take has to be taken in the framework of a long-range plan. Otherwise, I am afraid we are merely postponing, although without intention, the real solution to a lot of these persisting problems.

Mr. BOWEN. Senator, I should like to say a word about education. I am an educator, so I suppose I keep emphasizing this factor. One of the basic elements in economic growth is investment in people, and one of the big wastes in our own national economy that derives from poverty is the waste of human resources that could have been developed to higher levels of productivity and efficiency. I should say—speaking now with reference to the question of the relevance of the problem of poverty to the work of the Joint Committee on the Economic Report—it seems to me that economic growth derives as much from investment in human beings as from any other source, and that discussion of this whole problem of poverty is really a discussion of how we improve human beings in this country. This is certainly a relevant subject for the Committee on the Economic Report in terms of its broad charter laid down in the Employment Act.

Mr. NATHAN. Mr. Chairman, I couldn't say a stronger amen to what Dr. Bowen has said. As we look at other countries, especially, we find that the principal determinant of levels of economic development or progress in a country is the ability of the people in terms of their education and their experience. You will take country after country, with fabulous natural resources, minerals, wonderful fertility of the soil, natural advantages, marvelous hydroelectric potentials, and per capita incomes of 30, 40, 50 cents a day.

Take other countries with rather limited natural resources, with per capita incomes of \$1,000 or \$1,500 a year. The main reason is the difference in the human resource. There is no doubt as we are able to build up the capacity of the individual, overcome their handicaps or limitations by education and training, which must be coupled with job opportunities along with it, I think we can solve this problem

perhaps more by that approach than any other single one, although a great many approaches will be necessary.

Mr. ENSLEY. I would like to raise the question here as to the role of the Federal Government in increased financial support for education. During the last 25 years, the Federal Government has been in education with many programs, beginning with the NYA program and construction programs of the 1930's, the training of the soldiers during the war, the GI program—all of those things are tapering off now, and in the absence of a new program the Federal Government is finding itself in the position of retrogressing at this point, when the baby crop is getting to school age.

Mr. BOWEN. I would be glad to try to answer that. I feel strongly that the Federal Government must get into education, financially, on a much larger scale than it has in the past. I agree with you that there has been retrogression in recent years in this respect.

I find myself in an awkward position. I am strongly in favor of local self-determination or local autonomy. But I think there are two approaches to the problem. One of them is grants-in-aid by the Federal Government; the other one is to strengthen the financial foundation of our local government. When we have a philosophy of wanting local governments to do a great many things that are close to the lives of people, but yet do not give them adequate resources to do the job, we are in a very inconsistent position.

I believe that the Nation should be looking toward ways of strengthening the financial position of local government, at the same time that it is helping education, helping to ameliorate immediate problems, as Mr. Fishman has mentioned, through direct financial support.

Mr. ENSLEY. How should that aid be given? Should we reduce Federal taxes on the assumption that the State and local governments would increase their taxes and thereby carry on these programs, or should the Federal Government give financial grants to the States, or both?

Mr. BOWEN. I think both. I think we have to be pragmatic about these things, but if one of our objectives is to increase the investment in human resources, along the lines I just spoke of a few moments ago, I think that it may be necessary for the Federal Government to give aid to specific programs. But I want to hedge my remarks with the statement that I really believe in local autonomy and local self-determination. I agree with the statement that Mr. Myers quoted to the effect that local governments should be given responsibility to do everything that they can do. But there are some things that have to be done that local governments can't do as they are now organized, and I think it is foolish for us to stand on some theoretical political principle, and neglect the education of children and the development of health services.

Senator SPARKMAN. To make that a little more specific, may I ask you this: Some of the earlier acts, Federal aid to education—the Land Grant College Act, etc., they did not take away any local autonomy, did they?

Mr. BOWEN. To some extent it did. These funds are administered in such a way as to reduce the autonomy of the State colleges that receive them. They are required to undertake certain services and carry these services on with a certain level of efficiency.

Senator SPARKMAN. But they have the responsibility for setting up and carrying out those services.

Mr. BOWEN. That is true. But there is a general supervision. Let's face it. When the Federal Government gives money out, it does supervise expenditure of money to a degree.

Mr. ENSLEY. You wouldn't object to that degree of supervision?

Mr. BOWEN. No; I would not.

Senator SPARKMAN. As a matter of fact, you would really expect it?

Mr. BOWEN. Yes; that is right. I don't think the Federal Government should pour out money with no strings attached.

Senator SPARKMAN. Did you start to say something, Mr. Myers?

Mr. MYERS. Yes; I think as Mr. Bowen does, that we are in a situation now where certainly for the present—I am stating my own personal view here and not that of the committee, the committee has not dealt with this question—but I think we are in position now, for a temporary period at any rate, where there is need of assistance from the Federal Government for general education. I don't think that can be given adequately by reduction of Federal taxes. There are several reasons for this. Reduction in income tax doesn't of itself provide a county out in Iowa with any additional funds, of course, or make it appreciably easier for it to get funds. There is also the problem of marked inequalities of income levels within the States; which I think is one important reason why some Federal aid is indicated.

I would rather reserve the question of indefinite continuance of Federal aid until we get further along and see what kind of situation we face. I think there are various ways in which this aid could be given. I think there is a great deal of difference in the degree of local control, how the aid is given.

I feel as Mr. Bowen does, that it would be very unwise to give any great degree of direction of the educational effort to the Federal Government. I think this is a function which we ought to keep close at home, but I can't quite see why a Federal program for aid, let us say in construction, would need materially to interfere with local direction of educational efforts. I would agree that the Federal Government, if it aids construction, ought to have the authority to require that minimum standards of construction are followed in building structures, but that doesn't have anything particularly to do with the education of people who go into the building.

I am not saying that is the only form which aid may take. I haven't studied the subject sufficiently to have a complete program on tap here, but certainly this is one of the urgent needs, more buildings and more classrooms. Certainly this is an area in which I don't see why there needs to be any appreciable encroachment by the Federal Government on control of the educational process, if the Federal aid is granted.

Mr. NATHAN. Mr. Chairman, may I join a sour note here? I have a feeling that over the years we are fighting a slowly losing battle on this problem of reservation of State and local controls in many ways. Having been in the Government, I certainly appreciate the dangers of bureaucracy and centralization. It seems to me, however, from an economic point of view, that inevitably more and more, at least from the financial point of view, the direction of funds for these kinds of activities is going to have to lodge in the Federal Government.

One of the problems, it seems to me, is the tax problem. Now, a very substantial portion of our Federal revenue comes from corporate and individual income tax. The proportion today compared to what it was 30 years ago is, of course, phenomenally greater and it is very difficult to set up local progressive taxes or income taxes, State income taxes, Federal income taxes, local corporate income taxes, State income taxes on corporations, and Federal taxes on corporations, all at the same time.

The result is that most of our State and local taxes are regressive, or at least they fall more heavily on the lower income groups than is true of the Federal taxes. I think there is increasing resistance, and properly, in our economy against this kind of taxation. I think inevitably the financial problems of State and local governments are going to increase. If the burden of Government responsibility does gradually grow, as it probably will—whether it is desirable or undesirable, I think it probably will—it seems to me, the role of the Federal Government will become increasingly greater because of this financial situation. I think that we have got to try to do what is necessary in specific areas like education, along with facing this problem. We also ought to be thinking, Mr. Chairman, about the problems of better coordination between Federal, State, and local governments in the tax area.

Mr. BOWEN. I subscribe to that.

Mr. ENSLEY. That is all.

Senator SPARKMAN. Are there any further questions?

(No response.)

Senator SPARKMAN. Is there anything further from you gentlemen?

(No response.)

Senator SPARKMAN. Thank you very much.

I think it has been a very fine panel discussion. We are indebted to each one of you for your part in it.

We will recess until 2 o'clock in this room.

(Whereupon, at 12:35 p. m., the subcommittee recessed until 2 p. m., the same day.)

AFTERNOON SESSION

The subcommittee met at 2 p. m., Hon. John Sparkman (chairman of the subcommittee) presiding.

Present: Senator Ralph E. Flanders and Representative Richard Bolling.

Also present: Grover W. Ensley, staff director, and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Will the subcommittee please come to order.

Following Secretary Folsom's testimony this morning, we had an interesting and provocative panel discussion of the role of the Federal Government in programs designed to aid the low-income population.

This afternoon we shall continue with a panel discussion on the topic "Review of Current Social Insurance and Government Welfare Programs To Increase Economic Security: Analysis of Unmet Needs."

The members of our panel this afternoon are: Mr. W. Arthur Simpson, commissioner of the department of social welfare, State of Vermont; Mrs. Ellen B. Winston, commissioner of the State board of welfare in North Carolina; Mr. Nelson H. Cruikshank, director, social insurance activities, American Federation of Labor; Mr. Reinhard A.

Hohaus, vice president and chief actuary, Metropolitan Life Insurance Co.; Mr. Byron L. Johnson, professor of economics, University of Denver; Mr. Richard A. Lester, professor of economics at Princeton University.

I may say Mr. William Haber, director, School of Social Work of the University of Michigan, was also to have been with us today. Unfortunately, he is prevented from being here because of illness.

I shall ask each witness to present a short summary of his statement in about 5 minutes, or so, and each witness in turn will be given an opportunity to give his summary before we open this session for discussion.

Mr. Simpson, suppose we start the discussion with you.

STATEMENT OF W. ARTHUR SIMPSON, COMMISSIONER OF SOCIAL WELFARE, STATE OF VERMONT

Mr. SIMPSON. 1. Is provision for some minimum standard of income security for all Americans an appropriate social goal?

Answer. Provision for some minimum standard of income for all Americans is an appropriate social goal but not an obligation of government. Moreover, we must distinguish between income and subsistence. What might be an adequate income in one area of the Nation might not be adequate in another area. Neither can a uniform level of subsistence be legislated or accomplished for the same reason. We have been steadily moving forward in raising the national income on a broad front. If this can be accomplished without inflation it is a desirable goal. There is no sense in raising national income 20 percent and decreasing the value of the dollar 20 percent. You have achieved nothing and many individuals and groups are caught in the squeeze.

In my opinion, it was never intended that the Federal Government should assume responsibility for preventing all the hazards and vicissitudes of life.

2. What level of security should we be aiming for? What factors are involved in determining the extent to which the Federal Government has direct responsibility for providing a minimum level of income security for those in need?

Factors involved in a determination of the extent to which the Federal Government has direct responsibility for providing a minimum level of income are in part covered in the reply to question No. 1. They are reasonably basic in the public-assistance program of the social-security system.

I might say at this point that I was impressed with the statement Dr. Snyder made this morning in relation to what public assistance has done in setting up family groups, making it possible for people to exist in family groups, through old-age assistance, A. D. C., and possibly some of these small-income groups have come out of this very situation.

Through the social-security system, the Congress recognized its obligation to assist in protecting individuals against the loss of income through grants of public assistance and the payments of benefits under the retirement system. It reflects the fact that the level of support or subsistence varies from area to area and from State to State by giving the States responsibility for the administration of

the assistance programs and allowing the States to pass down such responsibility as it deems proper for administration at local levels of government.

3. What are the existing gaps in Government-sponsored economic security programs? What is the role of the Federal Government in closing those gaps and rounding out the social insurance and public-welfare programs?

There are very definite gaps in the economic security programs relative to farmers and especially the small or what is known as the family-size farm. This is, of course, a problem which cannot be solved by social security, although previous lack of coverage in the system is a problem.

I think it is somewhat ironical in this period of time when the farm income has dropped by about 25 percent that we are trying to cover these people into the system, because some of them just cannot be covered in under that situation.

Senator SPARKMAN. By the way, Mr. Simpson, if you will excuse me for interrupting at this point, I did not read the article, but I saw it outlined in the Evening Star out now that the farm income this next year is expected to be down 10 percent. Has anybody read that article?

Mr. ENSLEY. No.

Senator SPARKMAN. It did say for the next year, did it not?

Mr. ENSLEY. The release is due out this afternoon from the Department of Agriculture.

Miss SNYDER. It refers to a continued decline.

Mr. SIMPSON. Maybe this is not the point for varying from the script, but I would like to say that I am a farmer myself and all this talk about the farmers having Cadillacs is just a little window dressing. While it is true that some of the larger farmers have been able to increase their production so that their gross income has been increased, there has been little opportunity for the small farmer to increase his income. Not only has his income declined, but his expenses have also gone up tremendously in the same time.

Senator SPARKMAN. I did not intend to divert this into a discussion of that, but you had mentioned it in connection with the point you were making. I thought that if your point was valid for the earlier period, it becomes even more valid with the further decline in farm income levels.

Mr. SIMPSON. Moreover, the lack of net income on which to pay taxes to provide even a moderate amount of benefits has not been entirely resolved by allowing a farmer to pay on gross income up to \$1,800 a year. I trust that the Commissioner of Social Security will take notice of the desirability of further acquainting farmers with their option under the system so that they can all avail themselves of this opportunity. Moreover, I believe the gross-income figure should be raised because of the long delay if for no other reason in covering the farm group into the system.

I should also like to add, unless this country wishes to eliminate the small farmers, sometimes called the family-sized farms, of the Nation, they must have some help. Loaning money is not the answer; most of them already have too much debt.

There is justifiable objection to heavy payments of support prices to the big operators. Let them stand on their own bottom. It is

said that 25 percent of the payments go to 2 percent of the farmers, another 25 percent goes to 9 percent of the farmers. I propose that a ceiling be put on payments to any one farmer or corporation.

I might say this, too, that I think it is possible to decentralize industry as was discussed this morning in some way so that it will provide some supplemental income to this very group.

It seems desirable to finish the job of covering all remaining employed and self-employed noncovered groups into the system. There are certain advantages although possibly difficulties of administration in paying benefits to certain disabled persons prior to retirement age.

I am personally opposed to lowering the retirement age, increasing the benefits, or exempting additional earned income, because the system must be supported by taxes on the earnings of the employed workers and self-employed people of the Nation. I question whether in addition to other taxes the earnings of the Nation can support a deduction of perhaps 10 or 12 percent to support the social security system. We must remember that the tax on the employer is no less a tax than the tax on the employee, and that both add to the cost of goods and services.

Actually, in view of the increase in the average life span and the emphasis on the employment of older persons, we should think of raising the age of retirement instead of lowering it. This will not be done, but it does point up the dangers inherent in political promises of liberalizing the social security system. In this area of political activity you are playing with a short fuse.

It is essential in a democracy that there be preserved some aspects of conservatism and a two-party system of checks and balances, not two liberal parties trying to outdo each other in promising benefits from the Federal Treasury.

4. Of the causes of income loss and poverty now dealt with by public-assistance programs, are there any which are insurable risks? To what extent, if at all, should the Federal Government participate in developing, financing, or administering social insurance systems for risks currently not included in social insurance plans?

In my opinion, the Federal Government should not at this time participate in developing, financing, or administering social insurance system for risks not currently included in social insurance plans. This does not, however, preclude additional public assistance grants-in-aid for medical care, hospitalization, and so forth, to the respective States to be administered by the States.

5. Should Federal grants-in-aid be limited to the current categorical needs or should the present program be modified to provide Federal grants for general assistance to all those in need?

In my opinion, grants-in-aid should be limited to the current categorical needs and not for general assistance to all those in need.

I am opposed in general to the further relinquishment of State and local responsibility and the creation of additional obligations at the Federal level leading to increased Federal taxes. Experience seems to indicate that responsibility for general relief can best be administered at the local level although not always uniform and sometimes inadequate. General relief programs would be difficult to audit and present endless complications in determination of eligibility.

6. What are the most urgent health needs of the low-income urban and rural families? What can the Federal Government do in helping to make the necessary health care available to these groups?

Financial access to clinics and hospitals is the most urgent need of low-income urban and rural families. I feel that this is particularly true of rural families. I favor expansion of maternal and child-health services and increased grants for child-welfare services not necessarily restricted to rural areas. I believe expansion of the aid to dependent children program to include children under State care in foster homes is desirable.

7. What is the function of Federal grants-in-aid? Should the formula for making Federal grants for public assistance be altered so that it takes account of the economic capacity of each State? If so, how? Within States, how can grants to localities be equalized according to need?

I am opposed to a formula for making Federal grants-in-aid for public assistance based on the economic capacity of each State. It would prevent the general rise of assistance in the less wealthy States and delay the betterment of economic conditions in the same area.

Equalization of grants to localities within Vermont is not a problem because we have a single State-administered program financed almost entirely at the State and Federal level and administered uniformly and paid uniformly in every political subdivision of the State.

8. Within the public welfare programs, how can efforts to help the recipient individuals or families to become productive members of society be maximized? What needs to be done to emphasize this function of public assistance?

The aged group is the largest group in the social-security system, both from the standpoint of public assistance and old-age benefits. The general acceptance of the philosophy that persons of productive capacity have the right to work, regardless of age and the increasing emphasis on rehabilitation and the employment of the handicapped can only be realized under a free enterprise system and in a period of relatively full employment.

Psychiatric and other mental health services could be substantially strengthened to develop in-service training skills which would help to preserve the family unit and is a legitimate field for grants-in-aid since their long time effect, particularly in respect to children in the aid to dependent children program, would pay dividends.

Senator SPARKMAN. Thank you very much, Mr. Simpson.

Now, Mrs. Winston.

STATEMENT OF ELLEN WINSTON, COMMISSIONER, STATE BOARD OF PUBLIC WELFARE, STATE OF NORTH CAROLINA

Mrs. WINSTON. Senator Sparkman, I submitted a few days ago a longer statement with the proper citations for incorporation into the record. I have a brief summary.

Senator SPARKMAN. That statement will be incorporated into the record.

(The statement referred to is as follows:)

UNMET NEEDS IN CURRENT SOCIAL INSURANCE AND GOVERNMENT WELFARE PROGRAMS TO INCREASE ECONOMIC SECURITY

Ellen Winston, Commissioner, North Carolina State Board of Public Welfare

Public welfare is an essential function of government at all levels today. Such responsibility stems from the democratic principle that individuals have essential dignity and worth and have a responsibility for the welfare each for the other. Public welfare is that definite service of democratic government which provides the organization, the techniques, and the means for fulfilling this basic obligation.

Public welfare services are made available to individuals and families with a view to helping them meet their needs for a wide variety of social services. Public welfare is essentially a service program today, with major emphasis upon protective, preventive, and rehabilitative services. This necessitates a broad program of nonfinancial services in addition to financial aid. Inherent in this approach is emphasis directed toward prevention of economic need through the rendering of specific services.

This basic approach to government welfare programs was accepted by the Study Committee on Federal Aid to Welfare of the Commission on Intergovernmental Relations in the following statement:

"Welfare is part of the larger field of activity involving the promotion of economic security, and the alleviation and prevention of economic insecurity of individuals and families. Welfare includes an increasing variety of rehabilitative, protective, and preventive services to children and adults."¹

HELPING PEOPLE TO HELP THEMSELVES

Too often public welfare programs have been narrowly conceived in the minds of the public and even on the part of administrators of such programs rather than being set up to implement to the full the basic position outlined above. Only as a broad concept of public welfare services, nonfinancial as well as financial, is generally accepted as the foundation of governmental welfare programs will such programs provide maximum aid to individuals and families to become productive members of society. Fortunately this point of view is increasingly being accepted both by practitioners in the field and by the general public. In taking this approach, however, it is essential to analyze the major segments of the caseload of most public welfare agencies.

The program of old-age assistance by definition is limited to persons who are 65 years of age or over and four-fifths of the recipients of this type of aid are 70 years of age or older. The average age of the recipients of old-age assistance is close to 75 years. Moreover, elderly women make up the majority of the caseload. Clearly the persons receiving help through this program are generally out of the labor market and cannot be expected except in rare instances, which would have little effect on the size of the program, to be returned to productive employment. Much can be done, on the other hand, toward helping these elderly people toward full utilization of their potentialities for self-care.

A second major group consists of recipients of aid to dependent children. Under Federal and State laws, children of school age are expected to be in school and are barred from full-time employment. When support for dependent children is needed, we cannot expect the family, usually consisting of mother and children, to support itself. Because of the low payments made under the aid-to-dependent-children program in widespread areas, the real problem is the fact that often mothers must go to work to help to take care of the financial needs of the household when they should be meeting their basic obligation of caring for the children in the home. There is a related pressure for older children to drop out of school before completing their high-school education in order to help support younger children in the household. Actually a study of terminated aid to dependent children cases on a nationwide basis showed that the average (median) case had received aid to dependent children for only 25 months,² a very short period in the life of a child. This same study showed that 25 percent of all aid-to-dependent-children cases were closed while the family still had less resources than the budgetary needs currently being met within the given State.³

A third major segment of the public welfare program consists of recipients of aid to the permanently and totally disabled. These recipients must not only meet

¹ Commission on Intergovernmental Relations, A Study Committee Report on Federal Aid to Welfare, U. S. Government Printing Office, D. C., June 1955, p. 5.

² Blackwell, Gordon W., and Gould, Raymond F., Future Citizens All, American Public Welfare Association, Chicago, Illinois, 1952, p. 38.

³ *Ibid.*, p. 41.

eligibility requirements in terms of need but, on the basis of medical examinations, must be found to be permanently and totally disabled. The remarkable thing is that a few of these recipients do manage to become self-supporting.

The fourth group consists of recipients of aid to the blind. With the long-time rehabilitative programs in this area, the recipients of this type of aid represent those who are unable to become self-supporting.

For those persons receiving financial assistance under the general relief programs of the various States and localities, there is careful determination of need with many programs limited to the unemployed.

With these major segments of the caseload specifically needing financial assistance over a considerable period of time, it is important to recognize that large-scale efforts are being made to promote ways in which to help people help themselves. Many States and localities have been moving forward in this direction. However, to emphasize this function of public assistance and to strengthen the legal base, it is important to have changes in the Social Security Act itself. The assistance titles should be clarified to make definitive the fact that self-support, self-care, prevention, protection, and rehabilitation are specific objectives of the public assistance programs and that the maintenance and strengthening of family life is a special objective of the aid-to-dependent-children program. Recognition of the relationship between economic need and essential social welfare services is pointed out in the 1954 Annual Report of the Department of Health, Education, and Welfare:

"To families in need of basic subsistence or an income to replace lost earnings, income-maintenance measures are of prime importance. But for many families, and in the event of circumstances not necessarily related to financial need, social welfare services are an essential part of a well-rounded social-security program. Because economic need frequently results from the lack of timely help in keeping the family together and self-supporting, the (public assistance) program's interest in the development of effective community welfare services promotes financial as well as humanitarian ends."⁴

There is further need for Federal financial participation in all aspects of the public welfare program instead of the present limitation to participation in the administrative costs of public assistance. Only by across-the-board Federal participation in administration can the full impact of the range of services indicated above be developed to the end of helping people increasingly to help themselves. Two other related aspects in order to strengthen programs for helping people help themselves are: administration of all aspects of the welfare program in which the Federal Government participates financially by a single agency at the local, State, and Federal levels; and adequate and qualified personnel to handle these skilled services. The Federal Government has already accepted responsibility for helping train personnel in other specialized fields. Federal funds should likewise be provided to assist the States in the training of professional staffs for State and local public welfare programs.

A MINIMUM STANDARD OF INCOME SECURITY

A minimum standard of income security for all Americans is far from being reached in too large a segment of our population. The maintenance of health and decency standards of living is not possible under the low public assistance payments still prevailing in large sections of the country.

The American Public Welfare Association has basically defined the components of such a standard as follows:

"While payments to individuals and families will vary with their specific needs and resources, the standards on which such payments are based should be objective, consistent, and understandable alike to the recipient and the public. Elements entering into the determination of the level of living which constitutes the standard of assistance are: The standard of living prevailing in the community; the basic requirements of all people for enough to eat, a decent place to live, sufficient clothing and other means to maintain an acceptable role in the community, and medical care when needed; and the special needs of children, the handicapped, the aged, and those who can be restored to self-support by a temporary investment of public funds."⁵

The Study Committee on Federal Aid to Welfare previously referred to did not attempt in the short time it was in existence to define an adequate standard, but it took a definitive position in stating that welfare should be at such a level:

⁴ U. S. Government Printing Office, Washington, D. C., p. 19.

⁵ American Public Welfare Association, *Essentials of Public Welfare, A Statement of Principles*, Chicago, Ill., November 1952, p. 5.

"There is a clear National, State and local governmental interest in and responsibility for providing assistance to the needy, consistent with health and decency."⁶

"The national interest in welfare includes a national responsibility for contributing financial support to States to the extent necessary to provide an adequate program where such support cannot be fully provided from State and local resources."⁷

The Social Security Act itself reflects acceptance of responsibility for making possible a minimum level of income security through both the old-age and survivors-insurance and public-assistance titles. The recent increases in benefits under the old-age and survivors insurance program indicate recognition of the inadequacy of the old benefit levels in terms of minimum income security. The various amendments to the public-assistance titles over the years increasing the Federal contribution, while resulting from a variety of factors, nonetheless also reflect recognition of the inadequacies in the payment levels for needy people.

A basic consideration is the fact that standards of health and decency are not static and the costs of a given standard fluctuate. Thus there have to be periodic changes in relation to the current situation. This, however, is primarily a monetary matter once there has been full commitment to providing a level of income security compatible with decency and health for those in need.

SOME GAPS IN FEDERAL PROGRAMS WITH RESPECT TO SOCIAL INSURANCE AND PUBLIC WELFARE

While recognizing the strides that have been made through strengthening the Social Security Act by the major amendments of 1939, 1946, 1948, 1950, 1951, 1952, and 1954, gaps both large and small still exist. That the Federal Government should take leadership in closing these gaps appears self-evident as such action involves further amendments to the basic act on the one hand and more adequate Federal appropriations to carry out present legal responsibilities on the other. Until the major gaps are bridged, a minimum standard of income security for all Americans cannot be achieved.

Some of the gaps were pointed out by the Commission on Intergovernmental Relations in its recommendations with respect to welfare.⁸ Existing gaps were covered more comprehensively by the Study Committee on Federal Aid to Welfare.⁹ A recently issued statement on grants-in-aid by the American Public Welfare Association, supplementing a number of earlier policy statements covering the wide range of public-welfare programs and objectives, highlights a number of current problems.¹⁰

While the sources cited differ in their emphases and there are major differences according to the role seen by various groups for public welfare in our society, there are many gaps in present Government-sponsored economic security programs generally recognized by the operating personnel of public-welfare programs and by students of the total program of social insurance and Government welfare services. The following sections list some of these gaps, together with suggested ways of meeting the problems.

Disability benefits

Under the 1954 amendments with respect to old-age and survivors insurance, provision was made for disability freeze determinations to protect the insurance rights of covered individuals who become completely disabled. In administering this amendment the types and incidence of permanent disability are being clarified. Extension of the contributory old-age and survivors-insurance program to include provision for disability benefits is a preferable means to public-assistance payments for meeting the needs of disabled people, except for emergency and residual needs for which public-assistance payments will continue to be essential.

General assistance

Federal grants-in-aid to the States should recognize the comprehensive nature of public welfare responsibility for all needy persons. Grants-in-aid should not be limited to categorical programs providing financial assistance and other

⁶ Commission on Intergovernmental Relations, op. cit., p. 5.

⁷ Ibid., p. 6.

⁸ Commission on Intergovernmental Relations, A Report to the President for Transmittal to the Congress, ch. 17 on Welfare, U. S. Government Printing Office, Washington, D. C., June 1955, pp. 266-276.

⁹ Commission on Intergovernmental Relations, A Study Committee Report on Federal Aid to Welfare, op. cit.

¹⁰ American Public Welfare Association, Certain Current Public Welfare Issues—Grants-in-Aid, Chicago, Ill., July 1955, 2 pp.

services to the aged, the blind, the disabled, and dependent children. The problem of economic need outside these specified groups is being met inadequately and inequitably throughout the country. Hence the Federal Government should participate in assistance payments to all those in need.

Restrictions in present categories

Certain changes in present public-assistance programs are necessary better to meet needs of people and to carry out the basic objectives of the public-assistance programs, such as:

(a) Elimination of the restriction requiring a desirability to be permanent and total before public assistance is granted.

(b) Revision of the age requirement in the program of aid to the permanently and totally disabled so that needy people will not suffer because of an artificial age requirement.

(c) Broadening of aid to dependent children to include any needy child under 18 years of age, not just those children who are regularly attending school.

(d) Extension of aid to dependent children to any needy child living in a family with a person having direct legal custody in contrast to the present limitation to needy children living with certain degrees of relatives.

(e) Extension of aid to dependent children to any needy child deprived of parental support or care for any reason.

(f) Reduction of residence requirements in all welfare programs to which the Federal Government participates to a minimum with uniformity throughout the country.

(g) Elimination in all categories of the maximum on individual assistance payments. This will make possible more adequate and equitable treatment of individuals in need. So long as Federal legislation sets maximums on Federal participation in public-assistance payments, such Federal financial participation should be related to the average payment for recipients rather than to payments to individual recipients.

Medical care

Because of the large number of people with little or no income needing medical care, the uneven incidence of the need for medical care, and the high and unpredictable cost of such care, the health needs of low-income families is one of the major problems dealt with by all public-welfare agencies today. Among the various suggestions for participation of the Federal Government in helping to make the necessary health care available to such individuals and families, one important step would be Federal financial participation in the costs of medical care and hospitalization for public-assistance recipients on a basis not restricted by the ceilings on individual payments established for the maintenance grants, the present basis for any participation.

Child welfare services

Inadequate funds to meet basic needs of children for protective and preventive services means that problems are being built up for the next generation of adults. Only as a broad program of services is provided for children directed toward making them self-sufficient, self-supporting adults will one of the sources of continuing financial need be adequately dealt with. Steps toward achieving this end include, as recommended by the Commission on Intergovernmental Relations, Federal funds for the support of needy children receiving foster care and better cooperation at the national level and in all the levels of government between child welfare and public-assistance programs.¹¹

The situation may be further ameliorated by broadening the use of child-welfare services funds, administered by the United States Children's Bureau, to include the total child population of each State through removal of the legal restrictions limiting use of such funds to rural areas and areas of special need. Furthermore, it is essential that the full amount of the legal authorization for child-welfare services, namely, \$10 million annually, be appropriated instead of the lesser amount currently available. Actually with the sharp increase in the child population the present legal authorization should be increased substantially above \$10 million if children are to be provided those basic services which are essential to their growth and development to self-supporting adulthood.

¹¹ Commission on Intergovernmental Relations, A Report to the President for Transmittal to the Congress, *op. cit.*, pp. 275 and 276.

VOCATIONAL REHABILITATION PROGRAMS

The value of the vocational rehabilitation program has been demonstrated. The number of cases receiving public assistance eligible for vocational rehabilitation is small in relation to the numbers of aged, children, and the disabled who need financial assistance.¹² The reasons for this are evident in terms of the types of cases. However, cases which are feasible and eligible for vocational rehabilitation should have the opportunity for prompt referral and receipt of such service. The major contribution of this important program is the vocational rehabilitation of persons not eligible for public assistance who through vocational rehabilitative services can be prevented from becoming dependent upon governmental aid programs and can be helped to make full use of their capacity for employment.

EQUALIZATION FORMULA FOR FEDERAL GRANTS-IN-AID

Federal grants-in-aid based on the economic capacity of each State has long been widely accepted as a basic principle for such grants. The problem with respect to public assistance is how an equalization formula could be superimposed upon long operating programs in an equitable manner. So far no formula has been devised that would be generally accepted by the States. Certainly any new program, such as general assistance or a new program in the area of medical care and hospitalization, could be of greatest benefit in helping remedy the low-income situation only if set up on an equalization basis.

To meet the difficulties inherent in attempting to superimpose an equalization grant formula on existing individual programs, it is proposed that Federal participation on an equalization grant formula provided by law should be applicable to all types of assistance programs, a broad program of protective, preventive, and rehabilitative services (including child welfare), medical programs for the needy, and administrative expenses on an overall basis which would tend to even out inequities which would otherwise result. Such across-the-board financing would make possible a basic floor of economic security. Along with grants-in-aid programs geared to the differences among States in economic capacity, the continuation of a Federal open-end appropriation is essential to a sound State-Federal fiscal partnership in the field of public assistance. Whatever methods are followed, no change in the present matching formula which would effect a reduction in the Federal share of assistance payments appears desirable or advisable at this time, from the point of view of the wealthier as well as the poorer States.

A COMPREHENSIVE PROGRAM

With Federal grants-in-aid made available to the States under one comprehensive welfare program, based upon the principle of equalizing the financial burden upon States for maintaining an adequate program, welfare services can be provided so as not only to meet economic and other needs but more importantly to prevent economic need and to promote individual and family adjustment. This in turn means better communities and a strengthening of our democratic way of life.

Mrs. WINSTON. I think it is important that we define what we meant by public-welfare services today, as there has been such an expansion in our concept over the last couple of decades.

As accepted by the Study Committee for the Commission on Intergovernmental Relations, public-welfare services today include a wide range of both nonfinancial and financial services to individuals and families, with a view toward helping them, to the extent possible, to help themselves. This means that increasingly we are placing emphasis on protective, preventive, and rehabilitative services.

Only as we accept a broad basis for public-welfare services can we really provide maximum aid to individuals and families in terms of their becoming as productive members of society as possible. However, we often think pretty loosely around this, if we do not look

¹² According to the Annual Report of the U. S. Department of Health, Education, and Welfare, 1954 11,300 assistance recipients, out of a public-assistance caseload of over 5 million recipients, were rehabilitated in fiscal 1953 by State vocational rehabilitation agencies. See pp. 40 and 51.

very carefully into the caseloads with which all public-welfare agencies deal today.

First of all, we have recipients of old-age assistance. We heard a good deal of discussion this morning about retirement age and related matters. When we realize that the majority of the recipients of old-age assistance today are women, and the average age is 75, we do not have much hope of any very great emphasis upon productive employment in this particular group. However, we do have much greater opportunity than we often realize for helping these older people who are already receiving services through welfare departments to develop to the maximum their potentialities for self-care. That in itself is a contribution to the overall well-being of this older group.

We have to recognize that we have great variation from State to State in the proportion of our older people receiving old-age assistance. In this connection, too, I think we might emphasize that old-age and survivors insurance is not going to have as much effect on old-age assistance as many people anticipate.

According to the latest figures, we can anticipate by 1965 a reduction from 2.6 million, about the number of recipients at present, to about 2.2 million people.

Our second major group in the public-welfare program consists of children, the group that is too young to work. We set up the program of aid to dependent children to keep them in their own homes. In spite of that we move them pretty rapidly out of the aid of dependent program these days because of the emphasis on helping the family make use of any potential resources. For the country as a whole, families remain on aid to dependent children only about 25 months. The average in my own State is at least 6 months lower than that.

The other two major groups are those who have been found through medical determination to be totally and permanently disabled and the needy blind.

In spite of the fact that these groups make up such a large proportion of our public-welfare caseloads many States and localities are promoting extensive programs to make it possible for these groups, and others who come to them for assistance, to help themselves insofar as possible. We feel that it is important that the legal base for the public-assistance programs be strengthened to incorporate these social objectives of the programs.

In other words, reading the titles of the Social Security Act you will find that the emphasis is primarily on financial assistance, with practically no attention to the related objectives of helping people to the extent possible develop self-support and self-care. We don't even state in the aid-to-dependent-children title the importance of preservation of family life. To amend the act to include these objectives is a rather easy step to take, and one that would be extremely helpful in line with the objectives of this committee.

If we are to make the greatest contribution through the public-welfare programs it is important for the Federal Government to participate across the board in the programs which we are presently administering. In other words, we have participation in the public assistance grants, and in the administrative costs of the grant programs. Much of the opportunity for helping people is along the lines of preventing need, providing protective services to the more vulnerable members of society, and rehabilitating individuals and

families who do not need to come under the vocational rehabilitation program, but who do need special assistance of one sort or another. If we could have the same kind of Federal participation for these services as in public assistance, we could do a great deal more to help raise the economic level of such individuals and families and promote their overall security.

We believe that in public welfare administration there should be a single agency at the Federal, State, and local levels as the most economical and efficient method for the handling of programs involving Federal funds. I was particularly pleased this morning when Secretary Folsom emphasized the importance of an adequate number of well-trained social workers, because it takes qualified people to do the job.

We say that we try to meet a minimum health and decency standard of living in public assistance. That is subject to much question in terms of what we mean by such a standard, but even if we accept it there are large sections of the country, particularly around Alabama and North Carolina, where we are still far from meeting that objective. Until we bridge the gaps in the Social Security Act with a number of rather simple amendments, and have more adequate Federal appropriations available, we will be unable to provide a minimum level of living in our lowest income States. We will continue to have gross inequities among the States in programs for which the Federal Government has already accepted large-scale financial responsibility.

As to changes which are needed in basic law, I would like to suggest a few at this point.

One is provision of disability benefits to the completely disabled. We already have large numbers of people receiving public assistance under the program for the totally and permanently disabled. We are rapidly acquiring experience through the operation of the disability freeze determination aspects of the old-age and survivors insurance program, so that administratively much of the groundwork is already laid.

We need Federal participation in meeting the economic needs of people outside the categories of the needy aged, disabled, dependent children, and of the blind. It has always seemed rather curious that Government at the national level participates in helping people who fall into certain categories but we have had no participation for needy people who fall outside those particular categories.

In other words, I am referring to the need for general assistance, so that we might have more adequate programs for helping the unemployed and those with various types of residual need. As it is now, we do a very poor job in most of our States and localities, even in the wealthier States. In the potential general-assistance load we have a group who have greater possibility than any of the public-assistance groups for being assisted to get on their feet, and yet we do not have any type of aid available except as we can work it out without Federal participation.

There are a number of legal restrictions with regard to the public-assistance programs which result particularly in deprivation of children. Mr. Simpson referred to one of them, the fact that we do not have participation in foster care of children. We have participation on the part of the Federal Government, for example, for a child who

is living with his grandfather-in-law, but not for a child who is living with a legal guardian, although the degree of need may be the same. We do not have participation in the care of a completely disabled child, 16 and 17 years of age, because we have a gap of 2 years between aid to dependent children for those who are out of school and picking up with the program for the disabled at 18 years of age. Those are the types of gaps which in many instances perhaps were an oversight, but which now after 20 years we certainly should do something about.

Mr. Simpson spoke also of the importance of a more effective program of Federal participation in the costs of medical care and hospital care to public recipients. The method of handling the financing of such programs within the subsistence grants is administratively cumbersome, and we believe that there should be a special medical care program outside of the grant programs. Certainly as we pay more attention to the total needs of the public-assistance groups we will be contributing toward the objectives of this committee.

There are also a number of special restrictions with regard to the child welfare services program, so that we are not able to meet as fully as we should the needs of children for protective services of various types.

We who live in the lower income States, who have the largest numbers and proportions of individuals and families in the low-income groups, are committed to some type of equalization formula for Federal aid to welfare. We use this principle in our own States, from county to county, and certainly we feel that it is the best method by which children, old people, and other needy people throughout the country can receive equitable treatment.

We also recognize that extent of need is unpredictable, requiring continuation of the present basis upon which the Federal Government makes so-called open-end appropriations. Thus participation is flexible in terms of State needs, and is the only realistic way in which Federal aid can be made available.

With Federal grants to the States, under one comprehensive welfare program, based upon the principle of equalizing the financial burden upon States for maintaining an adequate program, welfare services can be provided so as not only to meet economic and other needs, but, more important, to prevent economic need and to promote individual and family well-being.

Senator SPARKMAN. Thank you. Mr. Cruikshank.

STATEMENT OF NELSON H. CRUIKSHANK, DIRECTOR, SOCIAL INSURANCE ACTIVITIES, AMERICAN FEDERATION OF LABOR

Mr. CRUIKSHANK. Senator Sparkman, and members of the subcommittee, I want to say we thoroughly appreciate the opportunity to participate in the discussion before your distinguished subcommittee, and also to participate with these able representatives of other groups in our population interested in these subjects.

In the statement which I have filed with your subcommittee, the first part of it is devoted to a formal introduction of the position of the American Federation of Labor on a number of the issues before your committee. I wanted to do this for two reasons.

One, to take advantage of the opportunity of having our formal position included as a part of your record; and, two, to make it possible

for the members of the subcommittee, and others reading the report, to differentiate between what is the formal position of our organization and what are some of my own views. I took it that as a participant in the panel you perhaps wanted me to offer some of my own views rather than just limit it to a formal statement of the position of my organization.

(The statement of Mr. Cruikshank is as follows:)

CURRENT SOCIAL INSURANCE AND GOVERNMENT WELFARE PROGRAMS TO INCREASE
ECONOMIC SECURITY: SOME UNMET NEEDS

Nelson H. Cruikshank, Director, Social Insurance Activities, American Federation
of Labor

On behalf of the American Federation of Labor I wish to express our appreciation to the Joint Committee on the Economic Report and its Subcommittee on Low-Income Families for the privilege afforded us to submit our views on this important phase of the economic and social problems arising from the existence of the large number of low-income families in this country. I should like to make it clear, however, at the outset that the interests of the American Federation of Labor in this field go far beyond the subject assigned this particular panel. We feel that the subject assigned this group is very important, but it is not more important than a number of others such as those concerning the questions of basic training and education, the need for retraining and acquisition of new skills, the problem of depressed economic areas, and underemployment, to name but a few. I do not feel it appropriate that I should attempt to represent the views of the American Federation of Labor in subjects outside the scope of the assigned topic, but I should like it to be perfectly clear that confining my observations to this particular field is not to be construed as meaning that the American Federation of Labor is any less interested in these other subjects, or that we consider that my appearance on this panel is adequate representation of our broader interests.

With Senator Sparkman's letter inviting me to participate in this panel discussion there were eight questions relating to the proposed review of the social insurance and Government welfare programs now in existence. These are good questions in that they are directed to the important and substantive issues with which serious students of these problems are concerned. Before addressing myself to these particular questions I should like to include in the record at this place a statement of the official position of the American Federation of Labor with respect to social insurance and related programs, as adopted by the 1954 convention in Los Angeles. For the most part this official position relates directly to the questions before this panel. However, at some points the questions go beyond the convention declaration of policy and I should like it to be noted that where I comment on the questions in those areas the views are my own and not necessarily those of the American Federation of Labor.

"I. OLD AGE AND SURVIVORS' INSURANCE

"Your committee notes with favor the advancements in securing improvements in the old-age and survivors' title of the Social Security Act contained in the social-security amendments of 1954 reported on in this section of the executive council report. * * *

"Beneficial as these improvements are they still fall short of attaining the goal of adequate protection to the family income. We call for the development of further expansion and improvement of the social-security program by the enactment of legislation in the next session of Congress, designed to meet the following five objectives.

"1. Protection against wage loss resulting from permanent and total disability. While the 1954 amendments represent a step in the right direction by protecting the rights of the disabled, that is not enough. A worker should become eligible for monthly benefit payments upon the determination of his physical disability and subject to his willingness to participate in rehabilitation efforts in all practicable cases. * * *

"2. Provision of a program for protection against temporary disability should be incorporated in the Federal old-age and survivors' insurance program. * * *

"3. The benefit structure of the old-age and survivors' insurance program should be improved along the following four lines:

"(a) There should be an increment to the primary benefit for workers who have been longtime participants in the program.

"(b) The wage base should be raised to reflect increases in earnings levels since the start of the program.

"(c) The average wage on which benefits are computed should be based on the best 10 years earnings record.

"(d) Tips should be included in the computation of wages.

"4. The age of eligibility for women should be lowered to 60 years. This should apply both to employed women who retire and to those who are dependents of retired workers, or widows of deceased workers.

"5. There should be established an advisory group representative of management, labor and the self-employed to review periodically the actuarial soundness of the system and make recommendations as to necessary changes in the contribution rates. In this connection the A. F. of L. reaffirms its readiness to support a contribution rate necessary to pay benefits adequate to the needs of survivors and retired workers. The working people are willing to pay their share of the cost of an adequate program.

"II. UNEMPLOYMENT COMPENSATION

"The most pressing need in the social-security field today is a comprehensive overhauling and improvement of the unemployment insurance system. In the hands of reactionary State legislatures and in the absence of any effective standards governing the amounts and duration of benefit payments and qualification provisions, the system has completely failed to keep pace with present-day requirements.

"The improvements that are most needed can be accomplished only through positive action on the part of the Federal Government. * * *

"* * * As a minimum feasible step in the direction of the elimination of experience rating, the law must be changed so as to provide an alternative method of accomplishing reductions in tax rates where such reductions are justified by the condition of benefit funds.

"As a further minimum step toward the reconstruction of the unemployment insurance system, a program of uniform national standards governing benefit amounts, durations, and eligibility requirements must be adopted so as to remove from the shoulders of jobless workers the burden of cutthroat interstate competition which serves to hold benefits down to an inexcusably low level. * * *

"III. HEALTH AND WELFARE

"Reviewing the analysis of the health needs of working people and the various steps that have been taken to meet them, described in this section of the executive council report, your committee concludes that the soundest and most constructive solution would be the enactment of the comprehensive national health program, long advocated by the American Federation of Labor. The keystone of the structure of this program is a system of health insurance based on the proven principles of our existing social insurance program.

"Because of the frequently repeated charge that this program is 'socialized medicine' it is necessary once more to point out that this program with its guarantees of freedom of choice on the part of both patient and doctor, and its guarantees of the continued independence of health institutions and personnel rather than representing the socialization of medicine is, in fact, the surest protection against the socialization of medicine in this country. * * *

"Without diminishing the emphasis on our continued support of a comprehensive national health program, designed to meet the various needs cited in this section of the executive council report, we reaffirm the fact that we do not hold to an 'all or nothing' position. We welcome any steps taken toward the ultimate goal. * * *"¹

Permit me now to comment on the specific questions presented to this panel.

1. Is provision for some minimum standard of income security for all Americans an appropriate social goal?

As this question relates to social insurance and welfare programs it is doubtful if any minimum standard of income security for all Americans expressed in monetary terms would be useful. This is not to deny, of course, that in a country as wealthy

¹ Report of the Proceedings of the 73d Convention of the American Federation of Labor, Los Angeles, Calif., September 20-27, 1954, pp. 581-582.

and productive as ours we should avoid permitting any American family to fall below the basic decency or physical-comfort standard, even in cases where there is little or no personal income. But a minimum standard would of necessity relate to some very low common denominator and would be meaningless as applied to those having resources bringing them just above such a common denominator. In short, the money income necessary to maintain one family in given circumstances at a decency level would be quite insufficient for a family even of the same size in other circumstances. This fact calls for programs of aid and assistance that are designed to meet certain qualitative standards. These must be applied on an individual basis by professional people qualified to analyze cases of individual need and supply appropriate remedies.

Our basic social-insurance schemes have been designed with a view to maintaining a portion of the earned family income in the face of specified contingencies. The Federal old-age and survivors program does so during the period of retirement after age 65 or subsequent to the death of the family breadwinner. With its scale of benefits related to the earnings record (modified by weighting in favor of the low-wage earner) it represents an integral part of our whole free-enterprise economy. With such an approach we avoid the necessity for large numbers of people, even when faced with loss of income, for determining any basic level of income security. They have determined that automatically for themselves as they have been able to attain to a given level of income through their ability individually and collectively to achieve a certain level of earnings. Only in unusual, and in a decreasing number of cases, do these benefits need to be supplemented with assistance payments.

At this point, of course, there emerges one of the inadequacies of the present system, namely the artificial cutoff point of \$4,200, beyond which the present social-security law does not insure any portion of the wage income. Some millions of workers, through collective-bargaining agreements, have various types and degrees of protection beyond that provided by the Federal Act against some of the causes for income loss, including disability and old age, but the great majority of those in the work force, both employed and self-employed, are unable to insure any portion of their earned income above the \$4,200 level. When the Social Security Act was first passed in 1935 this cutoff point was at the \$3,000 earnings level. However, the total earnings of some 97 percent of the workers covered under the program at that time fell below this point. To include the total earnings of the same proportion of the covered workers at the present time it would be necessary to raise the wage base under the OASI program to about \$7,800 per year.

2. What level of security should we be aiming for? What factors are involved in determining the extent to which the Federal Government has direct responsibility for providing a minimum level of income security for those in need?

The first part of this question calls for different responses with respect to the insurance programs and the public-assistance programs. Social-insurance programs should relate to past earnings without artificial cutoffs at the upper levels of earnings. Both our OASI programs and unemployment compensation programs now have cutoff point that are purely arbitrary and unrealistic. Unemployed workers should be able, for a limited period, to draw two-thirds of their past take-home pay in benefits.

The present survivors' insurance in OASI is undoubtedly the best social insurance we have—and probably as good, if not better, than exists anywhere. The protection against loss of income, due to old age, has been improved as a result of the amendments of 1950 and 1954, but needs still to be liberalized to permit benefits to relate more directly to actual and proven earning capacity. This calls particularly for raising the wage base and for basing the average wage on the years of highest earnings.

The beneficiaries of social insurance are not necessarily "those in need." In fact, one of the primary objectives of social insurance is to reduce the areas of need. If the social insurances are at all adequate, then only the exceptional cases fall into the category of the "needy." The Federal Government has a very essential role in maintaining the social insurances as preventive measures. In OASI the interest arises from the fact that the risks insured are lifetime risks and people move through their working life from one locality to another. Only a nationwide system can possibly meet the problem.

Unemployment compensation should also be on a national rather than a State basis. Historically, no unemployment law was in effect in any State until the Federal Government, through a tax-offset device, forced the States to act. Un-

employment results from economic factors that are national, not State or regional, in scope.

Different factors are determining with respect to public assistance. As stated above, the level of income necessary to maintain individuals at a decency level varies widely. Assistance must be on a case-by-case basis, taking into account numerous local and community factors. The appropriate role of the Federal Government here is to assist and encourage each State in determining the level of aid that is needed and to help meet the financial burden entailed.

3. What are the existing gaps in Government-sponsored economic-security programs? What is the role of the Federal Government in closing these gaps and "rounding out" the social insurance and public-welfare programs?

In view of the question immediately following, I take it, this relates to the inadequacies and shortcomings of the existing social insurance and welfare programs.

The most serious of the shortcomings in social insurance are in the field of unemployment compensation. These are less apparent, currently, as we are in a period of near full employment and have enjoyed a relatively good experience since the beginning of the wartime demands on our labor force. But these are just the times to take stock of the adequacy or inadequacy of our protection. This can be done partly by projecting experience with limited amounts of unemployment into hypothetical situations of extensive unemployment.

The first deficiency is with respect to coverage. Only since 1950 have we succeeded in covering half of the work force and only in the very recent past approached 60 percent.

Secondly, the maximum weekly benefits have, in all but a few States, lost any realistic relationship to actual earnings in covered employment. The effect is a tendency toward flat benefit levels—a "relief" or "need" concept, rather than a genuine social insurance approach.

This past year some 47 legislatures were in session. Of these, over 35 made some change in existing unemployment insurance legislation.

Some 32 States increased maximum benefit amounts and 7 States increased duration.

Much has been made of these increases by the Secretary of Labor since late last year when he wrote to the governors of all States, indicating what he and the President thought should be improved in State laws. The Secretary of Labor said:

"You will recall the goals suggested by the President for improvement of the benefit provisions of the unemployment insurance laws. He suggested that the States raise their dollar maximums so that the payments to the great majority of the beneficiaries may equal at least half their regular earnings.

"In order to achieve this goal, it is our belief that the maximum benefit level, which is the principal limiting factor on weekly benefits, should be geared to the average gross earnings of all workers covered by the program, not just of those who are drawing benefits at any particular time. Weekly benefit amounts beneath this maximum should be at least 50 percent of the workers' gross earnings in covered employment."

The significant part here is in the objective requiring that "a great majority of the beneficiaries" should be able to receive 50 percent of their gross earnings. While the term "great majority" can mean a different figure to different people, it is doubtful whether it can mean less than 75 percent. Thus it is necessary to locate a wage below which 75 percent of the covered workers fall. This figure will, of course, differ from State to State.

Using this criterion, our figures indicate that only one jurisdiction, Hawaii, meets the maximum benefit standard set forth by Secretary Mitchell. Only Pennsylvania and Vermont have this year met the uniform duration standard.

Looking at the accomplishments of the past legislative year, it can be said that improvements there have been, even though in some places harsher disqualifications and other more stringent provisions have nullified the small advances. For example, 25 States now include provisions under which the benefit rights of an unemployed person can be canceled. This provision was added in four State laws this year.

The effect of these shortcomings have been summed up in a number of studies that indicate the proportion of wage loss resulting from unemployment during various periods in the recent past that has been replaced by unemployment compensation benefits. The most recent of these, by Mrs. Ida C. Merriam, shows that in the recession of 1948-50, only between 20 and 28 percent of the wage loss

was recovered by unemployment compensation benefits. The range represents the difference resulting from including or excluding certain veterans' benefits and railroad unemployment payments.²

In examining the record for hard-hit communities in Connecticut during that same period, Mrs. Merriam found that in New Haven only 7.4 percent of the wage loss was compensated by unemployment insurance. In Bridgeport, it was only 5.7 percent, and in Waterbury 7.5 percent: 7 percent or even 20 or 28 percent insurance protection is pretty poor insurance.

In the light of 20 years' experience with unemployment compensation it is clear that the Federal Government should take over this program and operate it as a genuine program to insure workers against wage loss arising from involuntary unemployment. Short of this the Federal Government must relax its rigid requirement that a State can only adjust its tax rate by the sole device of employer experience rating, and it must enact standards relating to eligibility, disqualification and ratio of benefits to past earnings which States must meet to qualify for the tax offset.

4. Of the causes of income loss and poverty now dealt with by public assistance programs, are there any which are insurable risks? To what extent, if at all, should the Federal Government participate in developing, financing, administering social insurance systems for risks currently not included in social insurance plans?

The major area where extension of social insurance is needed is with respect to disability.

A. TEMPORARY DISABILITY

With significant exceptions, our present unemployment program presents a curious anomaly in that such protection as is provided covers wage loss from temporary unemployment only in cases where the unemployment arises from economic causes and is not due to the physical inability of the wage earner to perform the normal duties of his job. Except in three States, California, New Jersey, and Rhode Island (New York approaches the problem in a different way) a worker who is unemployed, must be able to work to be eligible for benefits. Even if he was laid off while still in good health and has established his eligibility, if he becomes ill during the time he is unemployed, he then becomes ineligible. The result is that the worker has some protection under the program if he is hit by one disaster, but loses all protection if he is hit by two.

Literally scores of proposals have been before the State legislatures to meet this problem. However, 7 years have passed with no State taking positive action. I do not think we can look for any further improvement under State initiative. One reason is that the private insurance companies have virtually served notice that the full weight of their powerful lobbies will be brought to bear on any State legislature considering such proposals, to assure that any enactment in this field will serve to channel a goodly portion of the worker's wages into the companies' coffers. The experience in the three States operating under programs providing for commercial insurance in this area has convinced the supporters of temporary disability insurance that the price is too high.

Organized labor has virtually abandoned its efforts to amend the State unemployment compensation acts to include temporary disability protection. We have not, however, abandoned the effort to secure such protection. While we prefer action that would extend to all workers whether or not they are members of our unions, we have been forced to accept, in this field, the method of writing plans into our negotiated health and welfare programs to meet this need. About 90 percent of these plans provide for payment of part of the wage loss due to illness. The extension of social insurance in this area, we are now convinced, must be accomplished through amendment to the Federal OASI program, rather than by amendment to the State laws.

B. PERMANENT AND TOTAL DISABILITY

The biggest gap in the protection afforded by old-age and survivors' insurance is found in the failure to make up for income loss due to permanent and total disability.

When a worker becomes totally disabled for a protracted period his earnings losses are usually not compensated from any source. Nevertheless, the costs are

² Ida C. Merriam, *Social Security Programs and Economic Stability*, National Bureau Committee for Economic Research, New York, 1954.

often greater than the costs associated with old age or death. In addition to the usual living expenses, the family must bear the burden of medical care often required by a disabled individual, such as diagnosis, treatment, drugs, and hospitalization. Generally, the family must adopt a lower standard of living and in many cases they ultimately become dependent on relief. A substantial proportion of all destitution is accompanied by and apparently results from disablement of the family breadwinner. For this reason, the added social security contributions which would be needed to finance a disability insurance program would not represent entirely new costs for workers and employers. The costs of extended disability already rest to some extent upon the Nation's taxpayers through private support given to needy relatives and friends as well as in the form of publicly financed assistance and institutional care.

In 1949 the House of Representatives accepted the recommendation of the majority of the Advisory Council and included in the amendments to the Social Security Act a provision for the payment of benefits to the long-term disabled. This was not accepted by the Senate, which in 1950 substituted the recommendations of the commercial insurance and chamber of commerce representatives on the Advisory Council which attempted to meet the problem by adding another category of need recognized under the Federal-State public assistance program.

Regardless of what one's judgment might be about the success of this program where it has been tried, it is an obvious failure in a number of jurisdictions, including such large States as Texas and California, where they have completely failed to carry out the State end of a Federal-State partnership.

Among the States having a program for the permanently disabled, the conditions of eligibility and the adequacy of the help vary widely, reflecting the financial condition of the State and the relative strength of the liberal organizations among the voting population, more than the need of the recipients. In June 1955, for example, the average money payment paid to a disabled individual varied between, \$29.54 in New Mexico to \$107.13 in Connecticut. The average vendor payment for medical care in Louisiana that month was \$0.12, while again in Massachusetts it was \$47.40.³

This disability assistance program by its nature must be considered a stopgap, or, at best, a supplemental program. It can never be an effective substitute for disability insurance. Assistance can never do the effective job of conserving the disabled individual's material and spiritual resources that can be done through insurance. Aid cannot be given until at least the material resources have been exhausted. Insurance, on the other hand, can act quickly and effectively to afford economic protection to the individual and his family and, better, it can open up all avenues for his rehabilitation.

Health insurance

The catalog of gaps in protection afforded by our social insurances would be lacking if no mention were made of the fact that we have yet no adequate method of helping working men's families to fortify themselves against the threat of sickness and ill health. Part of the problem relates to the threat against the family security arising from the cost of illness, and it is probably because of this that most other countries in the world began their social insurance programs with health insurance, whereas we seem to be putting it last.

Meeting the cost of medical care is only a part of a health program. Perhaps we have contributed somewhat to the present unhappy situation by having in the past overemphasized—or at least tended to separate from the other integral aspects of the problem—payment for medical care. The kind of insurance most people have today pays an unpredictable part of the hospital and doctor bills, but does nothing about the quality of the care that is purchased, or to make available the best in preventive care which might in many cases avoid completely both the cost and the distress of an illness.

Until our national health program is far better met than it is now being met, no family can be really secure. Meeting that problem, in our opinion, will require a many-sided program that will provide aid for medical education, including aid for nurses and technicians, a more extensive hospital and health center construction program, improvement in quality of care through encouragement of group practice, and a comprehensive prepayment health service plan based on the principles of our present Federal social insurance program.

In the light of the great need in this area, the picayune proposal for health reinsurance can be dismissed with the barest mention. The threats to family security arising out of illness and disability cannot be met by underwriting the

³ Social Security Bulletin, September, 1955, table 11, p. 23.

risks assumed by private insurance carriers. Too many of our so-called health-insurance schemes now operate to protect the doctor and the hospital against unpaid bills rather than to protect the patient and his family. Health reinsurance of the kind proposed by the administration simply compounds this basic error.

Workmen's compensation

Another great gap in protection of earned income appears in relation to the threat of loss of such income resulting from accident or illness befalling a worker on his job. We think of workmen's compensation as being the oldest of our social insurances in America, and have grown all too complacent about the needs as we have been led to think that some 40 years ago we settled the problems in this area.

Years of neglect and attrition at the hands of pennywise employers and insurance carriers have resulted in the perversion of these State workmen's compensation laws so that in all too many cases, they serve actually to defeat the very purposes for which they were created. What, for example, has become of the idea of employer responsibility for the maintenance, care, and cure of persons injured in his employment? Today, the emphasis and the effect of the laws, in general, is the severe limitation of the liability of the employer—a limitation achieved at the expense of any reasonable standard of adequacy as regards the rights and needs of the injured worker. As one consequence, many victims of industrial accidents end up as public charges, on the public assistance rolls. A burden that should, by rights, have been borne by the employer is thereby shifted to the citizen taxpayer, and a worker who should have received adequate support, as a matter of right, from the social insurance system is subjected to the humiliation of the pauper's oath and the alms system.

When weighted against the requirements of a sound and adequate system of workmen's compensation insurance, it is fair to say that the laws of each of the 48 States must be found wanting in some degree. A thorough overhauling of the workmen's compensation laws of this country is long overdue. We were greatly heartened when Secretary of Labor Mitchell announced that his Department was preparing a "model workmen's compensation law" and that the States would be urged to meet its standards. However, more than a year has passed since the first announcement, and the model bill is still in the promise stage.

5. Should Federal grants-in-aid be limited to the current categorical needs or should the present program be modified to provide Federal grants for general assistance to all those in need?

Our response to this question follows from our views with respect to the basic characteristics of the public assistance program. As indicated above, this must be a flexible program, adjustable to individual needs. Under the terms of the present program the Federal Government says in effect to the States: We will assist you in meeting cases of need arising from old age, the dependency of children, blindness, or total and permanent disability. If the need arises from any of the many possible causes outside these categories, the problem is totally one for the State to handle. This tends to impose a rigid straitjacket on State administrators. While probably not by design, it has the effect of reflecting a lack of confidence in the local administrators to determine appropriate causes of need. I would favor doing away with all the categories and base the assistance from the Federal Government to the States on the severity and the extent of the need existing within the State rather than on arbitrary causes from which family needs arise.

6. What are the most urgent health needs of the low-income urban and rural families? What can the Federal Government do in helping to make the necessary health care available to these groups?

The most urgent need for low-income families, both urban and rural is adequate health protection. Tremendous strides have been made in recent years in the medical sciences and in medical practice, but the benefits are largely confined to two groups: (1) the upper income groups who can afford service from the high-paid specialists and the costly medical centers, and (2) wage earners who are located in an area where comprehensive prepaid health services, including the best group practice procedures, are available and who can negotiate with their employers for the cost of participating in such plans.

The materials assembled by the staff of this subcommittee indicate something of the nature of the problem of meeting the cost of medical care.⁴ Table 1 on

⁴ Characteristics of the Low-Income Population and Related Federal Programs, 84th Cong., 1st sess., tables 1, 2, 3, and 4, p. 149, 150, and 151.

page 149 indicates, for example, that 58 percent of the total population has some kind of hospital insurance protection, and table 2 indicates that 63 percent of all families have some kind of protection. However, 80 percent of the families having incomes above \$5,000 have protection as against only 41 percent of those under \$3,000. Table 3 indicates also that the lowest proportion of persons having voluntary health insurance (47 percent) are in the West, and (49 percent) in the South. These low percentages in the predominantly agricultural areas are in contrast with 64 percent and 62 percent in the predominantly industrial areas of the North Central and Northeast.

The most significant figure appears in table 4, page 151, showing that of the total gross costs for health service and care incurred in the amount of \$10.2 billion, only 15 percent was covered by insurance benefits. This is an index of the overall inadequacy of the voluntary insurance approach.

Even more striking is the failure of voluntary insurance to provide protection for older persons. (The National Consumer's Survey of Medical Costs shows that there is a sharp drop in enrollment or coverage in insurance after the age of 65. The proportion of families enrolled by age of male family head shows relatively small differences until after age 65 when there is a sharp drop from 66 percent for the 55-64 age group to 50 percent for the 65-74 age group, and after age 75 a further drop to 35 percent.)⁵

In 1951 the Bureau of Old-Age and Survivors Insurance conducted a survey of the economic resources of aged beneficiaries in which questions were asked about voluntary health insurance coverage. It was found that about 30 percent of these beneficiaries had some type of voluntary health insurance, whereas for the country as a whole at that time about 60 percent of the population was reported as participating in some form of voluntary health insurance plan.

More important are the Bureau's comments on the quality of this insurance: "One in six of the beneficiaries who were counted as having health insurance of some kind (one-twentieth of all beneficiaries) had only the most limited protection. Most of these had nothing except an accident policy. Others reported nothing but a policy covering medical-surgical care in the hospital—without hospitalization insurance to cover the accompanying charges for room and board—or nothing but a weekly wage-loss indemnity policy.

"Fewer than 1 in 10 of the group with voluntary health insurance (only 2.6 percent of all beneficiaries) had anything approaching comprehensive protection against medical bills * * *. Between these extremes were beneficiaries who had protection against the cost of hospitalization * * * or various combinations of policies falling short of comprehensive coverage.

"Of all the beneficiaries insured against hospitalization costs more than half—or 12 percent of the beneficiaries surveyed—had no other type of policy * * * about one-tenth of the total group of aged beneficiaries had insurance against hospital care costs plus the cost of in-hospital surgical-medical care, and some of them also had other protection * * *. Less than 3 percent of all beneficiaries had weekly indemnity policies."⁶

The minimum program for meeting these needs which could be provided by the Federal Government should include (1) extension of hospital and medical care protection to all beneficiaries of OASI, (2) grants to qualified voluntary groups, including cooperatives and labor organizations desiring to set up clinical and health centers providing comprehensive prepaid medical care, (3) grants-in-aid to qualified nonprofit voluntary health insurance programs providing direct medical care and service. Organizations to qualify for these grants should provide care on noncancelable policies to groups and to individuals without discrimination.

7. What is the function of Federal grants-in-aid? Should the formula for making Federal grants for public assistance be altered so that it takes account of the economic capacity of each State? If so, how? Within States, how can grants to localities be equalized according to need?

There appear to be two basic functions for Federal grants-in-aid: (1) to stimulate States to meet the problems to which the grants are directed, and (2) to equalize the burden among the high- and low-income areas of the Nation. A sliding-scale grant formula is best designed to attain both these objectives. A workable formula such as the following is suggested: Within the range of the top

⁵ National Consumer Survey of Medical Costs and Voluntary Health Insurance: The Extent of Voluntary Health Insurance in the United States as of July 1953 (New York: Health Information Foundation, 1954) pp. 1-7-8, and appendix table 6.

⁶ Dorothy McCamman and Agnes W. Brewster, Voluntary Health Insurance Coverage of Aged Beneficiaries of Old-Age and Survivors Insurance, Social Security Bulletin, XVII (August 1954), pp. 5, 6.

25 percent and the bottom 25 percent of costs the Federal Government make grants to the States in inverse proportion to the per capita income of the State as adjusted by the proportion of the State's population to the national population.

8. Within the public welfare programs, how can efforts to help the recipient individuals or families to become productive members of society be maximized? What needs to be done to emphasize this function of public assistance?

As a first approach it would appear that greater emphasis should be placed upon preventive programs. Both the States and Federal Government now emphasize purely remedial aspects of family need. Service programs such as those related to juvenile delinquency, day care for children, group programs for the aged and others with special needs, and community organization should be supported as extensively as those dealing with the problems of disaster after the disaster has occurred.

The most promising area in efforts to help individuals or families who are recipients of welfare benefits to become productive members of society appears to be through an extension of our rehabilitation programs.

In the field of vocational rehabilitation we have recently made significant advances. The Vocational Rehabilitation Amendments of 1954 broadened both the scope and the range of rehabilitation services and revised the financing structure for support of the program. It is estimated that about 250,000 persons are in need of vocational rehabilitation each year and there is at present a backlog of about 2 million such persons. We have been rehabilitating an average of about 60,000. The program has as its goal 200,000 rehabilitants by 1959.

In the event of the adoption of a permanent and total disability program in connection with OASI a tremendous impetus would be given to our rehabilitation efforts. In the first place, such a program would necessarily include among the standards for benefit eligibility the willingness of any applicant, where there was any chance of rehabilitation, to participate in a rehabilitation course. The cost of such services, including administration, could well be borne out of the trust fund as the eventual savings to the fund resulting from the return to gainful employment would be substantial and probably sufficient to cover the cost of the program. This, of course, merely represents a bookkeeping method of documenting the fact that an effective rehabilitation program is a social and economic asset rather than a liability, and that the contribution that rehabilitated individuals make to the whole productive effort of the national cancels out the cost of the services they have received. This is aside from the more important though less tangible benefit to the individual which derives from the fact that he again can be a productive member of society.

Mr. CRUIKSHANK. Next I try to take up and deal with these very interesting questions that were posed. I certainly compliment your staff. I wonder that you are able to hold such competent staff, and that some of them have not been grabbed off by certain television programs, to devise the \$64,000 question for them, but they were pertinent and meaningful questions, and I accepted them as the kind of outline for my comments.

The first one, about the provision for a minimum standard of economic security, I felt I had to deal with in two ways: One, that with respect now to the people who for some reason or other are not able to earn a livelihood for themselves, or—that is, the people who are not only in the low-income groups but are the recipients of welfare, and with respect to the public assistance and welfare programs I felt that it was not appropriate that a basic level in monetary terms be established. It is impracticable; you have to establish standards in terms of qualitative goals and objectives which have to be subject to wide variation and application at the local level. This depends upon trained, qualified personnel, because you could not say across the board that \$1,000, \$2,000, \$3,000, or whatever figure you might take, was an adequate level. It has to be done in terms of living standards and needs and applied by qualified trained professional people in light of a given situation.

With respect to social insurance, the question is quite different, because there you are insuring a portion of the income against certain contingencies, and that gears the social-insurance system and all its component parts right into our free enterprise system.

Of course, the benefit is weighted in favor of the low-income man, but aside from that weighting, benefits are geared to earnings, and we take it that in the long run earnings represent some relationship to the contribution of the individual to society, and that he has in the long run adjusted his living standards to his earning capacity and earning ability.

This, of course, always has to be modified, with the understanding that there is this second backstop; the first element of security, of course, for working people is a good living wage, a good job under good conditions.

Then insure some of that income against the contingencies of old age, death of the breadwinner, and others which I shall mention, but then even you need the second line of defense, that if these fail, the State must step in and help meet his needs, distinctly on a needs basis, but the method of determining those levels is quite different for the two different kinds of programs.

That also then spills over into the second question about the level of security we are aiming for, and again I differentiate between the level from the insurance programs and the level from the public-assistance programs which are quite properly and of necessity based on need.

We hope as a long-term objective always to reduce the areas where it is met on the need basis by enabling people to insure their incomes against the contingencies as adequately as possible, so that there will be a reduction of the area that is met by need.

Dr. Winston pointed out that there was not perhaps a reduction in public assistance or old age assistance that some people thought might come. It seems to me very significant, though her figures show some absolute decline in face of a relative area of growing need, with this tremendous growth in the area of aging people, there is still in the face of that a decline in absolute numbers.

Now, when it comes to certain gaps that we see in a Government-sponsored economic program and the role of the Federal Government in them, there are a number about which we feel that we have some pretty definite feelings.

One is we are dissatisfied with the unemployment insurance system that has been operating under part of the social-security system, and in the paper I cite some figures from various authoritative studies, to show, for example, that looking back at certain recession periods, where unemployment has been significant, that the amount of the wage has been recovered by this system does not exceed 20 percent. We look at it as insurance, and insurance protection that protects only 20 percent of loss, is pretty poor. We show that in certain areas where unemployment has been acute (certain selected cities of Connecticut were taken for this study), the portion of the lost wage recoverable by unemployment insurance did not exceed in any of those cities 8 percent. So if we are only insuring against 8 percent of our loss, it is a pretty poor insurance system.

There are very many reasons for this which we will go into at some length here, but they are developed a little bit in the paper. We don't have time to summarize them.

I point out also that the effort that was made to do it through just encouraging and appealing to the States has fallen pretty flat, just as in 1933 when people said, "Let the States take care of it." The States never did anything until Congress passed a tax law and promised the States 90 percent forgiveness of that tax if they passed unemployment compensation laws. Then the States did something they hadn't been able to do before, until Congress took the lead.

The Secretary of Labor has sent out letters telling the States what they ought to do, have minimum standards, but after a full legislative year in which some 35 States passed amendments to the unemployment compensation law during the last year, only one of the jurisdictions, Hawaii, came up to the standards proposed by the Secretary of Labor. We feel that this is a laboratory test which shows the inadequacy of that approach.

Now, some of the causes of income loss and poverty now dealt with by public assistance are insurable risks. We feel that both total and permanent disability can be taken care of at least in part by broadening the social-insurance program. They are insurable risks under terms of social insurance, and I try to point out some of the needs that give rise to this belief. We have permanent total disability protection, and temporary disability protection for railroad workers. We have also the same now being administered successfully by the Federal Government for some 2 million civil-service workers. When people say the Federal Government cannot administer a disability program, they are forgetting the fact that they are successfully administering it for about 3½ million workers.

We feel that in the field of health very much can be done in various areas; but particularly for the older people and particularly for the extension of health insurance approach. Either public or private, whatever it is, it should be good, sound, and comprehensive.

I point out here also one section of our social insurance, the oldest, in fact, about which not much is being said for some reason or other, but about which a great deal needs to be done. That is workmen's compensation. We have taken workmen's compensation for granted because it was the first of our efforts in social insurance, but the program has gone pretty far from the mark in one State after another. Today the nationwide figures show that just barely over 50 cents of the premium dollar, about 51 cents of the premium dollar, is going out in benefits. Where is the rest of it going? It is going to all kinds of insurance payments, lawyers' fees and everything else except to the beneficiary. The degree of protection, the proportion of the wage loss recoverable, has gradually declined. While there have been some absolute gains relatively, the system has steadily deteriorated. We think that at least calls for a look-see on the part of the Federal Government to see if the States need some stimulus along this line.

A year ago the Secretary of Labor promised a model bill. We have been reminding him of this model bill periodically, but so far nothing has come out of the promise that there would be such a bill.

On the question of the categorical aids, we feel there should be general grants and not confined to these categories. At the present time, as Dr. Winston said, the Federal Government says in effect to the States, "We will help you meet the problem of these people if their need arises out of their being old, being a dependent child, or being blind, or being permanently or totally disabled, but if it arises

from any one of the other thousand possible causes, then it is a State responsibility."

That seems to us a rather artificial line to decide on whether or not you help a State or some of its people. It further reflects something it seems of a certain lack of confidence in the State administrators, which we don't share. I don't think that is intentional on the part of Congress, but it does seem to us that the people who are administering this kind of a program, based on needs which have to be on a case-by-case basis, these people should be the best equipped to decide the amount of aid that should be provided.

Now, as to the most urgent health needs of the low income, urban and rural families: In reply to this question I point out the general inadequacy of the insurance programs that are now in effect, and I cite the statistics provided in this study by the staff, showing that only 15 percent of the bills, the actual medical cost, is being met now under these voluntary insurance programs, and again, that is not very good insurance.

Then I also point out that there is a very sharp decline in the coverage in the older groups; that as soon as you take a group beyond 65, it shows a very sharp decline, and yet they are the people who need health insurance the worst, whether under a public or private system. It is more than coverage, and I cite this study by Dorothy McCann and Agnes Brewster, showing the quality of that insurance is of a very low kind. It is usually some very limited accident coverage which really covers the contingency that they are not likely to meet up with actually, so that we have the older people as they become ill becoming public charges in great numbers, and I suggest some forms of aid, either by a public system of health insurance, or by assisting voluntary health insurance groups, that will meet certain standards to meet this program.

In regard to question 7, the sliding scale, we believe that there should be a sliding scale of grants that is adjusted to the need, taking into account the ability to pay in inverse proportions.

In the public welfare programs, the help to recipient individuals or families who become productive members of society, we believe that can only be answered in relation to our answer about disability insurance. Disability insurance and rehabilitation are two sides of the same coin. If we can insure a portion of peoples' income against loss due to permanent and total disability, then we have the best approach toward a rehabilitation program. We also feel we have a means of financing. It becomes in effect self-financing, in terms of pure fiscal aspects, which are after all probably the least important.

The humanitarian and social aspects are the most important, but we always have to ask ourselves how we are going to pay for it, and I think the answer is in a permanent disability program, but the emphasis of such a program should be not benefits first and rehabilitation second for the workingman, but rehabilitation wherever possible, and benefits until such time as he can return to gainful employment, and as a means of returning him to gainful employment, and if that is impossible, then continuing benefits through a total disability or permanent disability program.

Senator SPARKMAN. Thank you, Mr. Cruikshank. Mr. Hohaus, will you proceed?

STATEMENT OF REINHARD A. HOHAUS, METROPOLITAN LIFE INSURANCE CO.

Mr. HOHAUS. Senator Sparkman, I appreciate the opportunity of meeting with your subcommittee. I have filed a rather lengthy statement.

Senator SPARKMAN. That will be printed in full. All of the full statements will be presented.

(The statement of Mr. Hohaus is as follows:)

SOCIAL SECURITY IN A FREE SOCIETY

Reinhard A. Hohaus, vice president and chief actuary, Metropolitan Life Insurance Co., New York City

NEED FOR SOCIAL SECURITY PHILOSOPHY

A deep interest in social security extending over many years, and concern for its sound development in the United States, has strengthened in me the conviction that every effort should be made to develop a mutual understanding of a social security philosophy appropriate to our way of life. By this I mean a carefully formulated, realistic, and widely accepted body of doctrine relating our legislation and practice in this area to all the many and varied aspects of life for which it has significance—a philosophy that will be a potent touchstone for new social security proposals. Lacking such a philosophy our lawmakers will find themselves subjected to powerful forces making for the unhealthy expansion or contraction of an institution with vast popular appeal. Like fire, social security can be a good servant but a bad master. It can and must be controlled if our freedom is to endure, and it is the task of all of us to discover how. The inculcation of a sound philosophy would go a long way toward providing the answer.

Over the years it has been my endeavor to formulate and state, as I see them, some of the basic elements of a social security philosophy, and I shall try briefly to summarize the results for you by way of background to my subsequent remarks concerning the current situation—its strengths and weaknesses. Much of what I shall say I have said before and on more than one occasion.

OBLIGATIONS OF THE INDIVIDUAL

We Americans of course believe that the individual, by his very nature, is free. For us the democratic form of society is a community of free people banded together in the spirit of mutual respect and self-discipline. We have faith in the ability of the common man, together with his fellow citizens, to direct and mold the future of his country. But we know that with freedom and power go responsibility, and much is expected of the individual if he is to be worthy of the rights with which he is born.

We recognize that definite obligations rest on the individual in at least three directions—

- (1) to himself and his family,
- (2) to those for whom and with whom he works, and
- (3) to society as represented by his fellow citizens and himself, and the agencies they have set up for their common good.

We know that in the forefront of these obligations is the provision of a measure of protection against loss of earnings due to death, old-age and disability, and unemployment. As a people we have accepted that challenge in each of the foregoing three directions by the development over the years of three different classes of "insurance."

The first of these, in order of time, is individual insurance protection the individual secures for himself and his family; the second, a variety of employee benefit plans, of which group insurance is an outstanding American contribution; and the third, social security designed for the well-being of our fellow citizens in times of adversity. Each has a special function to perform and need not, and should not, compete with or overlap the others. When soundly conceived, each should in fact derive mutual support from the others and perform its role better because of their existence. Properly integrated, they may be pictured as a three-legged stool affording firm and well-rounded support for the citizen.

It is recognized, of course, that there are other approaches to the problem of income maintenance and there is no thought of belittling them. However, Amer-

idea more than most other nations has come to appreciate and to cultivate the special merits of the insurance approach. While this discussion deals primarily with that branch of social-security commonly referred to as "social insurance," it is essential to understanding that area to keep in mind the related roles of individual and group insurance.

INDIVIDUAL INSURANCE

The success of democratic processes depends largely on the extent to which the individual assumes his responsibilities as a citizen and as a family man. Among the responsibilities he naturally feels most keenly are those that concern the security and welfare of those dependent upon him. He will wish to set his own level of protection, and individual insurance programs give him the opportunity to do so. Indeed, individual insurance is an institution deriving from that innate spirit of self-reliance which traditionally is, and must continue to be, an American trait. The very large volume in force expresses more eloquently than words the real value of this protection for our people.

GROUP INSURANCE

Group insurance is historically a much later development than individual insurance. The idea may be traced to the more or less natural feeling of responsibility on the part of the employees in an organization and their employer for the welfare of the individual worker and his family in times of stress.

Various types of employee-benefit plans, aiming to give a definite measure of protection in a manner suited to preserve the beneficiaries' self-respect and dignity; were therefore developed. In some cases those plans were initiated and operated solely by the employer, in others by the employees, and in still others by joint action of employer and employees.

Recent years have seen a great expansion of soundly conceived and operated plans. They have expanded both in the scope of benefits provided and in the number of employees covered, and we may expect this to continue. By providing a measure of security on a basis designed to preserve or bolster the dignity of the individual employee, such plans have indeed become an important element in maintaining, not only good industrial relations, but also that faith and confidence in the existing order on which the democratic spirit relies and thrives.

SOCIAL "INSURANCE"

Without proper preventive or protective safeguards against loss of income, the individual is naturally exposed to certain economic risks which may take such large tolls in terms of human and financial values as to warrant the description of social hazards. For a social hazard that lends itself to treatment along social insurance lines, that approach generally aims to meet in a more orderly and systematic manner, better adapted to the existing social and economic environment, a responsibility society had in the past largely assumed through other channels.

Though differing in important respects from individual and group insurances, social security has borrowed the name "insurance" from them because of certain important broad resemblances. It provides benefits payable upon the fulfillment of specified conditions, which do not, however, include subjection to a test of means. This permits the beneficiary to accept them without any sense of incurring the stigma of charity, especially if a specific consideration in the form of contributions or earmarked taxation has been required.

LIMITATIONS OF CONTRIBUTORY PRINCIPLE

Important, however, as the contributory principle may be, its limitations should be clearly understood. It should not mislead a contributor into misapprehending the social nature of the plan and the financial realities behind it. It should not, for example, lead him into feeling that he has paid in full for a protection to which actually his contributions furnish only a part of the cost, or into thinking that larger benefits are in order because funds are on hand, the nature and purpose of which he does not comprehend.

LEVEL OF PROTECTION

The fundamental objective of social insurance, it may be repeated, is to serve society through serving the individuals that compose it. By making available for as large a proportion of its citizens as is practicable a measure of economic security on a self-respecting basis, the Government may be relieved of a potentially serious

burden of dependency. In determining benefit levels socially adequate for this purpose, a major factor would be the probably minimum requirements to keep the family from becoming public charges. This in turn suggests varying the amount of benefits by the number of dependents of the insured. However, while that basis has wide acceptance for lifetime risks, such as those covered under Federal old-age and survivors insurance (OASI), its appropriateness for temporary risks, such as unemployment, is controversial.

Under such a philosophy the level of protection, and the formula for arriving at it, are usually quite different from what is appropriate to either individual or group insurance. By reason of its social-adequacy objective and its compulsory character, social insurance cannot and need not pursue individual equity in the sense of a mathematical adjustment between the benefit and the risk as measured by an appropriate premium—an adjustment which, in voluntary insurance, must on the average effect a long-range equivalence between costs and charges, if insolvency is to be avoided.

ADEQUACY VERSUS EQUITY

This does not imply, however, that all considerations of equity should be excluded from a social-security plan. Rather the point is that, of the two principles, adequacy takes first place. Among reasons advanced for admitting a degree of equity, other than for its own sake, are (a) that it acts as an incentive for the proper payment of the prescribed contributions, (b) that it automatically provides some measure of individualistic treatment on the basis of earnings, and (c) that to a limited extent it permits the benefits to reflect geographic, occupational, and other differences in costs and standards of living.

Just exactly what is meant by equity in social old-age insurance, however, requires some clarification. Private insurance conceives of the individual's benefit as the annuity produced by the accumulation, at interest and with appropriate allowance for mortality gains during any period in which that factor is involved, of specified contributions previously made by him or in his behalf. This conception is, of course, quite incompatible with the fundamental purposes of social insurance, since it completely precludes the role of adequacy in the initial stages of the operation of a plan. Quite different in its effect on the level of protection is the concept that the amount of benefit should bear merely a limited relationship to some base (such as average earnings) reflecting the individual's economic status. Whatever equity is injected into a social-security benefit formula, therefore, should be based on this concept which we might distinguish from the individual equity of private insurance by the term "social equity."

Having concluded that both social adequacy and social equity should be reflected in the old-age insurance benefit formula, the next question is how to blend the two elements. There are decided differences of opinion as to what the ratio of adequacy to equity should be. Also a given person's ideas as to the blend and even the kinds of adequacy and equity may be quite different for lifetime than for temporary risks.

This question cannot be divorced from those of the scope of coverage and the financing of the plan. The closer coverage is to being universal, the less weight need be given to equity, although some equity should always be included under a plan financed by contributions based on the individual's earnings. A review of the 20-year history of our Federal old-age plan indicates clearly that it would be unrealistic to make determinations in the area of benefits (conditions of eligibility as well as level of payment) apart from coverage or from financing. Furthermore, there is good reason for holding that this applies to the temporary as well as the lifetime risks.

Without passing judgment on current quantitative aspects of the benefit formula for OASI, the present type of formula is a simple and effective one for blending adequacy and equity. It permits ready adjustment in the level of protection when changed conditions make this desirable. However, it does introduce anomalies and permit abuses so long as the plan does not cover substantially all employed and self-employed persons.

INSEPARABILITY OF COVERAGE, BENEFITS AND FINANCING

Three features in particular of our old-age and survivors insurance plan strike me as fundamental—the contributory basis of its financing, with a moderate accumulation of funds as a contingency reserve; the payment of benefits based on the social adequacy principle, related to prior earnings and payable as of right; and the objective (90 percent achieved) of including all workers, employed and

self-employed. Coverage, benefits, and financing constitute what I have elsewhere described as an inseparable trinity. If thinking in the field of social old-age insurance is to be realistic, sound, and consistent, each member of this trinity must be considered in its relationship to the others. Thus a soundly designed benefit formula needs to take into account the financing arrangements and the extent of coverage. It is gratifying to note that appropriate changes were made in the design of the OASI benefit formula as the coverage of the plan was extended to groups of persons previously excluded. It should always be borne in mind that proposed changes in one part of the OASI plan should not be considered in a vacuum, but that consideration should at the same time be given to the other component features of the plan.

SOCIAL INSURANCE VERSUS GOVERNMENT WELFARE

This panel is concerned with reviewing our current social insurance and Government welfare programs. Social insurance and Government welfare in combination constitute what we have come to know as our social-security program—a two-pronged approach directed at increasing economic security. Though sharing the same ultimate objective, the respective prongs go about it quite differently, utilizing entirely different principles and methods. The insurance approach I have already considered. It conditions benefits on acquired rights based on previous earnings and determines them by a formula also geared within limits to earnings. Its income likewise is related to earnings, payroll, or both. The welfare or assistance approach, on the other hand, relates payments to individual needs and provides them out of general or special tax revenues.

WEAKNESS IN FEDERAL FORMULA FOR GRANTS-IN-AID

A great weakness in the present arrangements for Federal aid in the categorical public-assistance programs relates to the Federal formulas for matching State outlays. Starting with equal matching up to a modest ceiling, these formulas have been repeatedly liberalized until they are now heavily weighted on the side of Federal generosity, and by leaving the determination of need to the States, they provide inadequate checks on such generosity. They are so constructed that they even afford the States inducement to exploit the availability of Federal funds through putting on their assistance rolls an unreasonably large number of persons for relatively low payments. The way this comes about involves the mathematics of the formula and is somewhat technical. However, the following hypothetical illustration may help to clarify the matter.

Under the existing Federal matching formula for old-age assistance the Federal Government, in effect, reimburses a State, in respect of monthly assistance rendered recipients in amounts not exceeding \$55 to any recipient, to the extent of four-fifths of the first \$25 of average monthly payment per recipient, plus one-half of the remainder of such average monthly payment. Thus a State that pays out \$50 a month on the average to 20 percent of its old people, excluding payments in excess of \$55 to any individual, gets back \$32.50 of this average from the Federal Treasury and accordingly provides only \$17.50 from its own. Looking at the matter in another way, the State would be paying out on the average a total of \$10 a month (one-fifth of \$50) per aged inhabitant 65 and over (these being fivefold the number of recipients), of which \$6.50 represents Federal and \$3.50 State money. Suppose the State decides to add another 20 percent of its old people to its old-age assistance rolls for an average monthly payment of \$10, (e. g. as a supplement to OASI benefits). The State would then be increasing its total old-age assistance payments by 20 percent and the \$10 a month per aged inhabitant to \$12. Surprising as it may seem, we would then find that, for that \$12 a month per aged inhabitant, the Federal Government under the formula would contribute \$9 and the State only \$3. Thus by its action in increasing the total expenditures by 20 percent while doubling the number of recipients, the State would be reducing its actual cost by one-seventh (14 percent), since 50 cents of its previous \$3.50 payment per aged inhabitant would be switched from its own to the Federal Treasury. The Federal Government's share of the cost, on the other hand, would be increased by almost 40 percent or double the percentage increase in total expenditures.

Whether or not a State is to any appreciable extent cognizant and ready to avail itself of the built-in incentive to exploitation here illustrated, its presence in the formula constitutes an anomaly which should long since have been removed. Yet the trend since 1946, when this type of formula was first adopted, has been

to compound the anomaly by twice liberalizing the first unequal Federal matching proportion (from two-thirds of \$15, to three-fourths of \$20, to four-fifths of \$25).

APPROACH TO ITS CORRECTION

It would seem reasonable to expect that, to the extent the old-age and survivors' insurance provisions prove able to achieve the objectives for which Federal matching now presumably exists, there should be withdrawal of Federal participation in the support of old-age assistance. Whether or not the withdrawal should ultimately be complete need not now be decided. The important thing would seem to be to get started in the right direction.

One approach, advocated in some quarters, might be the adoption of the block grant principle. Under this principle the Federal Treasury would make available to each State a lump sum for all welfare purposes within certain categories, leaving the State free to make its own allocation among the different types of welfare. But whether this be the approach, or the present categorical approach (separate amounts for separate categories) be continued, it would seem reasonable that the formula for allocating among the States whatever Federal funds may be available (whether in block form or by categories) should reflect the progress made by OASI to date in reducing the need in the particular State.

A major obstacle to any new approach consists in the vested interests in the system that have grown up in a number of States by reason of the latitude the present Federal-matching formula permits and the absence of federally prescribed standards as to what constitutes need. Our immediate problem would appear to be the devising of transitional arrangements which will permit a more equitable allocation without too suddenly and sweepingly upsetting these vested interests. But gradually or otherwise, it seems clear that inequities and opportunities for abuse have become established and will sooner or later have to be removed, and the longer the operation is delayed the more painful and dangerous it will become. Perhaps the most difficult part of the job will be to convince the patient of the accuracy of the diagnosis and secure his cooperation in effecting a cure.

VOLUNTARY PRIVATE ACTION AND COMPULSORY GOVERNMENT PROGRAMS—FRIEND OR FOE

Social insurance from its very nature must tread a narrow path between opposing perils. On the one hand, if times are bad and the wherewithal for subsistence hard to come by, there exists the danger of social unrest or even chaos. Hence the need for an assured minimum to promote a feeling of hopefulness and security at all times. On the other hand the too ready availability of substantial unearned benefits can well stifle initiative and the spirit to excel, making for indifference and poor citizenship. It is no easy assignment for a democratic people to find and tread the appropriate middle way. Yet it must do so if it is to remain truly and healthily democratic.

A highly important related question is what can reasonably be expected from other resources available to the individual—savings, investments, insurance, homeownership, pensions and the like. At this point our free-enterprise philosophy, looking towards continued voluntary individual or group provision, and our social-security philosophy, looking toward Government enforced collective action, come into vital contact. Whether or not this contact take the form of collision or cooperation is a matter of vital consequence for our Nation. As I wrote some 13 years ago:

"Both types of protection, social and private, have to function in an economic, social, and political environment that is dynamic rather than static. Both must be capable of mutual adjustment as circumstances change and new developments arise. Properly conceived, their functions are complementary rather than competitive. They should engage each other like well-adjusted gears cooperating to a common end, not clash like antagonists competing for survival."

To insure that a well-adjusted engagement shall be the outcome rather than a hostile clash between different types of approach (I am not here referring to that form of healthy competition within free enterprise which is the source of its peculiar vigor and effectiveness) is a continuing task for our highest statesmanship, in the areas of management and labor no less than in that of government. Social insurance and private insurance (including pensions) have advanced and grown together over the past 20 years in a manner that makes me optimistic for the future. While frictions and maladjustments have occurred, these have not been devastating or irremediable, and in fact they have taught us much. But there

is too much at stake and the dangers too imminent for complacency, and eternal vigilance is the order of the day. Hence, in closing, I would like to refer briefly to some of the accomplishments in the voluntary field and to further tasks ahead.

ACCOMPLISHMENTS OF, AND REMAINING TASKS FOR, VOLUNTARY INSURANCE

First, there seems little reason to suppose that, by and large, the establishment of social insurance has been detrimental to the growth of life insurance and pensions. On the contrary, the availability of a modicum of social insurance has served as an entree and stimulus for successfully urging the need and desirability of private protection as well. Much data could be presented in support of this point of view, as illustrated by the following comparative figures. From a low level of some \$35 million in 1940, when the program began to make monthly payments, old-age and survivor insurance benefit payments reached some \$3.7 billion in 1954 and will continue to increase as the program relentlessly pursues its long-range course toward maturity. Life insurance benefit payments of all kinds advanced over the same period from \$2.7 billion in 1940 to almost \$5 billion in 1954, and will also doubtless continue to increase in the years ahead.

The contribution of insurance to social security in the United States has been so ably and eloquently documented in an article in last July's issue of the International Labour Review that I am taking the liberty of attaching a copy as part of this presentation. The author is Chester C. Nash, director of life insurance information of the Institute of Life Insurance in New York City. The article reviews the substantial growth in our private insurance protection during the last 25 years, describes various forms of insurance recently developed and discusses how these changes have served to increase the financial security of the population. Possible future developments are also discussed.

Following are several extracts:

"One of the greatest changes that has taken place in the social and economic structure of the United States during the past generation is the tremendous advance in the family financial security of the Nation's workers—in the social security of the country.

"In the span of 25 years the worker's security outlook has grown to proportions that would have been regarded as unbelievable in 1929, which was considered at the time to be a year of prosperity. The 1929 worker in the United States faced a relatively high rate of unemployment, with no financial protection against loss of income when he became unemployed; he had little protection against financial loss from nonoccupational sickness or accident, especially of his family; there were relatively few pension or retirement plans for workers; and the life insurance owned throughout the country averaged only \$2,700 per family.

"At the beginning of 1955 unemployment in the United States was relatively low, and a large proportion of the unemployed were eligible for unemployment insurance benefits; the great bulk of the work force had some form of sickness and accident insurance, especially against hospitalization and surgical expenses, which often covered the entire family; a large part of the work force was covered by pension plans and was also eligible for benefits under the old-age and survivorship program of the Social Security Act; life insurance averaged \$6,400 per family, with a growing proportion of families owning life insurance for such specific purposes as paying off the mortgage on the home, terminating installment loans or providing funds for education.

"Some measure of what this transition has already meant to the worker families of the country may be seen in table I, which shows payments to families in 1929 and 1953 for the major disruptions in the continuity of income, the chief causes of family financial insecurity—death, disability, unemployment and retirement. It will be seen that the sum total of such payments was in 1929 less than \$3,000 million and in 1953 more than \$18,500 million. Preliminary estimates indicate that these payments totaled between \$21,500 million and \$22,000 million in 1954. That is a sevenfold increase in 25 years or, if the increase in the number of families during the period is taken into account, a fivefold increase.

"This increased flow of benefit payments is not, however, the full measure of the important strides made in social security in the period, since a large part of the protection facilities are of relatively recent origin and have not yet begun to pay out benefits in large volume.

"The amount of life insurance owned, for instance, has risen from \$102,000 million in 1929 to \$339,000 million at the end of 1954, a threefold increase. Nearly half of this has been added in the past 7 years (see table II).

* * * * *

"Similarly, social security benefit payments under the provisions of the Government programs concerning old age and survivors, which totaled over \$3,500 million in 1954, will increase rapidly as the number of those aged 65 and over increases and more segments of the population are brought under the act. Some 10 million persons were added to the list of covered workers in 1954, and none of them have yet appeared on the benefit list.

"The important element in the social security of a nation's families, however, is not the current flow of annual benefit payments but the sum total of protection facilities. This is especially true in a period of rapid expansion. Most families do not draw on their security plans in any single year, but they want and need the policy, agreement or benefit assurance for whatever emergency may arise. On this basis of aggregate protection there has been a very great increase in social-security arrangements since 1929."

In my philosophy the responsibility for closing gaps in and for "rounding out" social-insurance provision rests primarily with private enterprise. Only when there is demonstrable failure on the part of voluntary agencies to deal effectively with a social risk should the aid of Government be invoked. Should it be necessary to call on Government, aid should first be sought from that level of government closest to the people affected. Only as a last resort, when a problem has grown to national proportions and for the most part transcends the capacity even of the State governments, should there be recourse to Federal action, and then only to the extent and for the duration that the general incapacity of the States persists.

To promote this objective I think there should be some permanent machinery responsible for assessing the capacities of State and local governments to deal effectively with social problems, and to determine what steps can appropriately be taken to remove incapacities and strengthen capacities where possible. Be this as it may, I am convinced that, by reason of its size, experience, specialized knowledge, and strategic situation, a special primary responsibility continues to rest on the insurance business to leave no stone unturned in its efforts, in healthy competition with other voluntary agencies, to fill the gaps in social-insurance protection and round out its benefits. The strides in this direction that have been made in recent year, as spelled out in Mr. Nash's article, augur well for the future.

Mr. HOHAUS. The statement I have filed is not representing the views of any organization. It is that of an individual whose vocation has been in the field of voluntary insurance for many years and whose avocation about the same time has been social insurance. In other words, it is exposure to both fields.

The first part of the statement discusses need for a sound philosophy as to social insurance. It, like fire, can be a good servant but bad master. Realistic social-security philosophy is needed as a touchstone for legislation, and I think during the last 20 years there has been an understanding of that in Washington the way things have developed. As I see it, the elements of such a philosophy fundamental to our democratic freedom are the obligations of the individual that run in three directions, one to himself and his family, two, to those from whom and with whom he works, and three, to society as represented by his fellow citizens and himself and the agencies they have set up for their common good.

I was glad to see the Secretary this morning develop that same proposition. Acceptance of these responsibilities has resulted in this country in a development of three classes of insurance. One is individual insurance, the other is group insurance, and the third is social insurance.

Like a three-legged stool they are capable when properly integrated of providing firm and well-rounded support for the citizen. Individual insurance, which is the oldest form we have had in this country, affords the individual the opportunity to set his own desired level of protection for his family and is based upon that innate spirit of

self-reliance which has always been and still is a traditional American trait. Group insurance is derived from the sense of responsibility of employees and employers in an organization for the welfare of the individual worker and his family.

Reference was made this morning to the volume of life insurance by the Secretary. There was some cross questioning as to what the 700 billions of insurance meant broken down on a per capita basis. The proper comparison, I think, is the relationship of that amount of insurance, of which half is social insurance, half is private, to the number of family units. If you take the total of about 53 million family units in the population as a whole, it is rather interesting that the \$700 billion total you asked about this morning represents about \$13,000 per family unit in this country, and related to average annual disposable income of a family unit is almost three times disposable income.

Social insurance, which is our newest form in this country, deals with social hazards—economic risks of such general concern to society because of the large tolls they would take of human and financial values that society wishes to handle them in a more orderly and systematic manner than in the past.

The benefit level of social insurance is and should continue to be based upon a different philosophy than that of private insurance. Private insurance being voluntary, it is necessary that the level of the benefit is directly related to the amount of the payment the individual or the group makes therefor. If social insurance is to accomplish its objective, it must be based primarily on the objective of social adequacy, related to what some of my colleagues have talked about earlier as some minimum basis of subsistence.

Actually, the way it has worked out, and properly so, the social-insurance benefit formula for the old-age insurance has been a blend primarily of adequacy with a certain amount of equity in it based on the individual's prior earnings.

There is one other point in connection with social insurance I would like to emphasize because it needs emphasis and reemphasis. We cannot talk separately about the coverage of a plan, we can't talk separately about the benefits of the plan or financing. All of them are inseparable, and whatever decision is made in one area must take into account the other two. We can't deal with them separately. They must always be considered together.

For example, in considering benefit levels, or in finance, the position is quite different today, where 9 out of 10 people are covered under the social-security plan, than it was in 1937, when only 6 out of 10 were covered. I think the broader the coverage, the more you can pitch the benefit level toward the adequacy concept. It is therefore gratifying that over the 20 years that Congress has dealt with social security it has quite generally recognized the principle that the 3 elements all must be considered together and it has not made the mistake of dealing with 1 and ignoring the other 2.

The next part of my statement deals with social insurance versus Government welfare. They are a two-pronged approach to increasing economic security and are based on entirely different principles and methods. The original intent of those who inaugurated social security was that assistance with respect to old age would decrease as insurance increased. There is little evidence, however, either in

actual or proposed legislation of general understanding that this is the proper relationship of the two approaches.

Starting with a 50-50 matching, the Federal formulas for matching State funds in the different categories have been repeatedly liberalized and are now heavily weighted on the side of Federal generosity. They afford States inducement to exploit the availability of Federal funds through putting on the assistance rolls an unreasonably large number of persons for relatively low payments. If you look at the respective State figures, you will find that the relative number of people on assistance in a number of cases have little consistency to the corresponding economic position of the States.

The statement includes a somewhat technical explanation and illustration how the present formula provides a strong inducement to a State to add a lot of people to its old-age assistance roll for relatively low payments and thereby reduce its share of the cost.

The formula for allocating among the States whatever Federal funds are made available should reflect the progress made by OASI in reducing the need for OAA in a particular State. It is recognized that transitional arrangements are needed. I have no simple formula to produce for the answer, but in connection with the other suggestions that are made, I submit that what is needed is complete review of where we are. We have gone a long ways. Correct what needs to be corrected and perhaps the moneys being used in one way now can be much better applied in other directions.

Social insurance must find and follow a middle way between opposing perils. On the one hand, its benefits must be adequate to avoid social unrest and even chaos if times are bad, and on the other hand, it must not stifle initiative by providing substantial unearned benefits too readily available. It is no easy task, but as the figures indicated earlier have shown, so far in this country, our citizens have carried on that responsibility, not only through insurance, but through savings and homeownership, as referred to this morning; and employers, employees, and unions, through the different group actions, have also done much.

It has been a very encouraging development and the record, as far as I am concerned, does not support a lot of the pessimistic comments that were made at the beginning, that social insurance would negate the desire of individuals and groups of individuals to carry out their own responsibilities.

The progress to date continues to provide ground for optimism. Now, in closing, I submitted with my statement, Mr. Chairman, and I hope you will give earnest consideration to its inclusion in the record, an article that appeared in the July issue of the International Labor Review. It is entitled "The Contribution of Life Insurance to Social Security in the United States." I suggest you give it earnest consideration, because it supplements the report your staff prepared, which is a remarkable piece of work. It has pulled together in one place information that I for one, who have tried to work in this field for years, have never found together.

The ILO article supplements your staff's very able document by showing the remarkable extent to which the citizens of our country, employers and unions, have taken on their responsibilities, in their particular areas.

I had nothing to do with the authoring or the sponsorship of it and hence I can recommend it without any embarrassment.

Thank you.

Senator SPARKMAN. It doesn't seem to be too long. Is there any objection to this being included in the record?

(No response.)

Senator SPARKMAN. Dr. Ensley, do you see any reason why it should not be? It is about 17 or 18 pages.

Mr. ENSLEY. I would have no objection to it.

Senator SPARKMAN. That will be done.

(The information referred to is as follows:)

THE CONTRIBUTION OF LIFE INSURANCE TO SOCIAL SECURITY IN THE UNITED STATES

By Chester C. Nash

The protection provided through private insurance, as distinguished from governmental social-security programs, against threats to the security of income of the family—such as disability, death, and old age—is greater in the United States than in most countries. The present article reviews the substantial growth in private insurance protection in that country during the last 25 years, describes various forms of insurance recently developed and discusses how these changes have served to increase the financial security of the population. Possible future developments are also discussed. It is believed that the information presented will represent a useful addition to studies published by the Office on governmental social security measures in the United States.¹

The author is the Director of Life Insurance Information of the Institute of Life Insurance in New York City and has been engaged for a number of years in editorial and public relations work in the private insurance field.

THE EXTENSION OF LIFE INSURANCE

One of the greatest changes that has taken place in the social and economic structure of the United States during the past generation is the tremendous advance in the family financial security of the Nation's workers—in the social security of the country.

In the span of 25 years the worker's security outlook has grown to proportions that would have been regarded as unbelievable in 1929, which was considered at the time to be a year of prosperity. The 1929 worker in the United States faced a relatively high rate of unemployment,² with no financial protection against loss of income when he became unemployed; he had little protection against financial loss from nonoccupational sickness or accident, especially of his family; there were relatively few pension or retirement plans for workers; and the life insurance owned throughout the country averaged only \$2,700 per family.

At the beginning of 1955 unemployment in the United States³ was relatively low, and a large proportion of the unemployed were eligible for unemployment insurance benefits; the great bulk of the work force had some form of sickness and accident insurance, especially against hospitalization and surgical expenses, which often covered the entire family; a large part of the work force was covered by pension plans and was also eligible for benefits under the old-age and survivorship program of the Social Security Act; life insurance averaged \$6,400 per family, with a growing proportion of families owning life insurance for such specific purposes as paying off the mortgage on the home, terminating installment loans or providing funds for education.

Some measure of what this transition has already meant to the worker families of the country may be seen in table I, which shows payments to families in 1929 and 1953 for the major disruptions in the continuity of income, the chief causes of family financial insecurity—death, disability, unemployment, and retirement. It

¹ For example, *Systems of Social Security: United States* (Geneva, 1954).

² The 1930-40 employment series of the National Industrial Conference Board showed 3,636,000 unemployed in a work force of 48,695,000 at the beginning of 1930. Thus, every 14th worker was unemployed. By 1933 every 4th worker was unemployed.

³ The U. S. Bureau of the Census estimated the unemployed in December 1954 at 2,838,000, with a total work force of 66,811,000. This represents a ratio of 1 in 25.

will be seen that the sum total of such payments was in 1929 less than \$3,000 million and in 1953 more than \$18,500 million. Preliminary estimates indicate that these payments totaled between \$21,500 million and \$22,000 million in 1954. That is a sevenfold increase in 25 years or, if the increase in the number of families during the period is taken into account, a fivefold increase.

This increased flow of benefit payments is not, however, the full measure of the important strides made in social security in the period, since a large part of the protection facilities are of relatively recent origin and have not yet begun to pay out benefits in large volume.

TABLE I.—*Death, disability, unemployment, and retirement payments to United States families from all sources, 1929 and 1953, and estimated 1954*

[Millions of dollars]

Source of benefit	1929	1953	Estimated 1954
Life insurance companies:			
Life policy proceeds and benefits.....	1,450	3,690	4,010
Accident and health proceeds and benefits.....	50	1,100	1,210
Other accident and health insurance.....	75	1,600	1,700
Fraternal, savings bank, and assessment insurance.....	165	180	190
Private pensions.....		500	500
Workmen's compensation.....	250	870	930
Liability insurance claims.....	170	1,730	1,580
Social security:			
Old-age and survivors insurance benefits.....	(¹)	3,010	3,670
Unemployment benefits.....	(¹)	1,050	2,290
Federal, State, and local retirement benefits.....	(¹)	1,150	1,260
Railroad retirement and other benefits.....	(¹)	480	540
Servicemen's life insurance.....	39	750	710
Veterans' benefits.....	673	2,470	2,570
Total.....	2,872	18,580	21,160

¹ Nonexistent.

Sources: Spectator Year Book, the Health Insurance Council, National Underwriter Argus charts, the U. S. Department of Health, Education, and Welfare, the Veterans' Administration, Best's Life Reports and the Institute of Life Insurance.

The amount of life insurance owned, for instance, has risen from \$102,000 million in 1929 to \$339,000 million at the end of 1954, a threefold increase. Nearly half of this has been added in the past 7 years (see table II). Relatively few policies terminate as death claims in the first few years after purchase. A recent analysis of 1 month's death claims indicated that 89 percent of all death claims were under policies that had been in force at least 5 years and 77 percent under policies that had been in force at least 10 years.⁴ Thus, while death-benefit payments under life insurance in 1954 totaled \$2,055 million, they will increase materially as the policies age, even if the death rate among policyholders continues to show the same rate of reduction as in recent years.⁵

TABLE II.—*Life insurance in force in the United States*

Year	Amount (millions of dollars)	Percentage of 1929
1929.....	102,086	100
1933.....	96,246	94
1941.....	122,159	120
1947.....	186,250	182
1954.....	339,000	332

Source: Institute of Life Insurance.

Similarly, social-security benefit payments under the provisions of the Government program concerning old age and survivors, which totaled over \$3,500 million in 1954, will increase rapidly as the number of those aged 65 and over increases

⁴ Analysis of the distribution pattern of one month's death claims paid in the United States, made by the Institute of Life Insurance, covering June 1953 payments.

⁵ The decline in the death rate per 100,000 policyholders has been from 900 in 1929 and 750 in 1943 to an estimated 630 in 1954.

and more segments of the population are brought under the act. Some 10 million persons were added to the list of covered workers in 1954, and none of them have yet appeared on the benefit list.

The important element in the social security of a nation's families, however, is not the current flow of annual benefit payments but the sum total of protection facilities. This is especially true in a period of rapid expansion. Most families do not draw on their security plans in any single year, but they want and need the policy, agreement, or benefit insurance for whatever emergency may arise. On this basis of aggregate protection there has been a very great increase in social-security arrangements since 1929.

This advance in family financial security against the adversities that strike at family income has not come about by chance. A large part of it is directly due to the efforts of the insurance companies. Plans created by the companies, sold by their salesmen, expanded and improved by their service representatives, are now the great base of family financial security in the United States. In addition, an important part of this security, almost entirely added since 1929, is the indirect product of these efforts. Such items as unemployment insurance and old-age benefits under the Federal Social Security Act, as well as national service life insurance and other benefits for ex-servicemen, are not underwritten by the insurance companies, but their very existence stems from the acceptance, understanding, and appreciation of the insurance system by the masses of the people, followed by Government action where private operations did not prove feasible.

In the case of the Social Security Act, for instance, an unemployment benefit scheme was undertaken by the Government only after every effort had been made to find a means of underwriting these risks through private channels. When no sound basis was found for private insurance against unemployment, a mass operation was set up under Government sponsorship. The system of social insurance, when established, also included old-age and survivors benefits on a mass basis that could not have been provided through private insurance. The Government plan established a security floor below which workers would not be allowed to fall. Supplementary protection, in more ample proportions, has been added in large volume through the established private insurance channels.

The creation of the Government benefit program has not diverted large segments of the insuring public away from insurance but has on the contrary increased the number of persons turning to insurance for amplification of the sustenance base provided by the plan. This trend has been seen with the introduction of each new project for mass protection. When the Social Security Act was adopted in 1935 it was widely predicted that life insurance, especially industrial life insurance, would be seriously curtailed. In fact, the life insurance in force has more than tripled in the intervening years, and even industrial insurance has increased to two-and-a-half times the 1935 aggregate.

Similarly, when national service life insurance was offered to some 16 million servicemen in the Armed Forces, it was predicted by some that the life-insurance buying of the next decade would be sharply reduced; actually, the purchase of new life insurance in 1954 was 4 times that of the year in which national service life insurance was adopted.

Life insurance ownership, as shown in table II, is not a completely accurate measure of the increased family security of the Nation's families. In some respects it overstates the case; in others it understates it. First, the aggregate of life insurance in force must be related to the number of family units and also to the changed annual income of the families.

The number of family units has increased by some 15 million in the past 25 years.⁶ The average life insurance in force per family in the United States is shown in table III as \$2,700 in 1929 and \$6,400 in 1954. Related to average disposable income per family, life insurance ownership per family was 123 percent of 1 year's income in 1929, 134 percent in 1954. In terms of what the policy proceeds would buy at current prices, family ownership of life insurance is today about 9 percent more effective than it was 25 years ago, in spite of the great inflationary movement of the past decade. The relationship to disposable income (personal income less personal taxes and related payments) is materially affected, of course, by the rise and fall in both tax payments and the cost of living. Tax payments, which have increased more than twelvefold since 1929,⁷ have made deep inroads into the take-home portion of the family income, but these tax payments are largely not translatable to the dependents left on the decease

⁶ The number of family units, including families, subfamilies and unrelated individuals, according to Bureau of the Census reports, was under 38 million in 1929 and an estimated 53 million in 1954.

⁷ Personal taxes and related payments reported by the Department of Commerce were \$2,600 million in 1929 and an estimated \$33,000 million in 1954.

of the policyholder. Therefore it is the disposable income, the money left after taxes, that is comparable with the policy proceeds.

The cost-of-living index has risen sharply in the past 10 years, from 75 in 1944 (very little above the 1929 level)⁸ to about 115 in 1954, and this period of inflation has seen about the same proportionate increase in average weekly wages.⁹ These have increased nearly threefold in the 25 years. What is more, the number of families with more than one wage earner has risen sharply. Now the second wage earner usually does not have quite the same need for life insurance as the primary wage earner. If the ownership of life insurance per family head could be ascertained it would undoubtedly show an even sharper percentage rise than the overall figure.

TABLE III.—*Life insurance in force per family in the United States related to disposable family income*

Year	Life insurance in force per family	Annual disposable income per family	Life insurance expressed as a percentage of annual disposable income
1929.....	\$2,700	\$2,200	123
1933.....	2,400	1,200	210
1941.....	2,800	2,100	131
1947.....	3,900	3,500	110
1953.....	5,800	4,800	122
1954.....	6,400	4,700	134

Source: U. S. Department of Commerce and Institute of Life Insurance.

Table III also indicates the stable nature of life insurance ownership during deflationary periods. While the aggregate of life insurance rises sharply during periods of inflation, it tends either to remain steady or to decline by a very small percentage during the most severe deflationary periods. In 1933, at the worst of the depression of the 1930's, disposable family income had fallen to nearly half of the 1929 level, but life insurance owned per family had declined only about 9 percent below the 1929 figure. Surveys made during the depression years showed that among worker families life insurance was practically the last element of family security dropped by families that suffered acute financial adversity. In fact, when public relief was initiated, provision was made in most areas for the allowance of an amount to maintain certain basic amounts of life insurance.

Thus in periods of deflation, with life-insurance ownership holding relatively steady, the ratio of average life insurance per family to disposable income per family rises sharply. This element of stability attaching to life insurance is an added factor in the security picture of the family.

One of the striking characteristics of the inflationary period of the past quarter-century has been the way in which families more than kept pace with inflationary tendencies; rapid as the inflation has been, life insurance per family has improved, even when related to the current cost of living.

Even the figures of ownership of life insurance per family, properly related, do not tell the whole story of improved family security. There has been a change in the nature of the policies owned, which is contributing to a more effective use of life insurance in the development of family security. Wage earners have tended to change, as soon as improved income permitted, to the large unit ordinary life plan rather than the industrial plan. There is no accurate means of determining how extensive this movement has been, but since 1929 ordinary insurance has risen 165 percent while industrial insurance has increased 125 percent. What is more, the elevenfold increase in group life insurance during this period must be added to the workers' protection program (see table IV).

⁸ The consumer price index of the Bureau of Labor Statistics (1947-49=100) was 73.3 in 1929, 75.2 in 1944 and 115.0 in 1954 (estimated).

⁹ A average weekly wage, all manufacturing industries (Bureau of Labor Statistics): \$25 in 1929; \$46 in 1944; \$72 in 1954 (estimated).

TABLE IV.—*Life insurance ownership by type of policy*

[Million dollars]

Year	Ordinary	Group	Industrial	Total
1929.....	75,726	9,011	17,349	102,086
1933.....	70,892	8,724	16,630	96,246
1941.....	82,600	17,774	21,785	122,159
1947.....	123,021	32,823	30,406	186,250
1953.....	186,710	79,768	37,781	304,259
1954.....	201,000	99,000	39,000	339,000

Sources: Spectator Yearbook and the Institute of Life Insurance.

CHANGES IN TYPES OF INSURANCE POLICY

A great change also developed during the years 1929-54 in the types of policy taken out; several new policy plans were either created or given their first major usage in this period. The family income plan was a creation of this period, for instance. Written in various forms, this policy provides an additional amount of protection for the years of greatest family dependence, usually up to the time when the children have completed their schooling. A \$10,000 policy, for instance, usually provides \$100 monthly income from the time of death of the policyholder until the predetermined terminal year for the family income has been reached and then pays to the widow the full face amount of the policy. A policy of this type costs much less than one that would pay double the lump-sum amount (i. e., \$20,000), since the monthly income feature of the policy consists of gradually decreasing term insurance, for which the premium is very low. The aggregate of family income life insurance in force is now estimated to be in excess of \$20,000 million, which roughly provides potential family income protection of some \$2,400 million annually.

Another special type of life insurance protection, credit life insurance, has been developed almost entirely during the past 25 years. This insurance, written with private life insurance companies for lending offices, covers borrowers to the amount of outstanding balances on loans and assures repayment of loans in the event of death for millions of borrowers. With the great volume of buying on the installment plan or through personal loans from banks or credit unions the question of insuring these loans is an important security element for the average family. Nearly \$30,000 million of short-term and intermediate-term consumer credit is outstanding in the United States¹⁰, an average of well over \$500 per family. Unpaid balances on such loans constitute a great drain on family resources in the event of the death of the family head, and the family security is greatly enhanced by the existence of life insurance specifically arranged to pay off the loan. Some \$10,000 million of credit life insurance is now estimated to be in force in the United States—about one-third of the total consumer debt item.

Similarly, there has been in recent years an extensive development of mortgage life insurance designed to pay off the balance of a real-estate mortgage in the event of the death of the property owner. There is no means of deriving statistics of this type of protection, since it is included in the overall figure for individual insurance, but it is reported by the life insurance companies that there has been a considerable volume of such business. Indeed, this may have been a factor in the spread of homeownership in recent years. Over half of all home dwellers own the home in which they live.¹¹ The aggregate mortgage debt on 1-family to 4-family properties is nearly \$75,000 million.¹² This debt affects the security of millions of families today, and the assurance held by those with mortgage life insurance that the home will be received by the family title-clear in the event of death of the family head is a vital component of the overall social security picture.

Educational life insurance has been written for many years. It is not new but has greatly increased in volume. This is insurance on the life of the parent income-producer, to guarantee payment of the necessary funds to provide college tuition and living expenses if the parent does not live to see the child through college;

¹⁰ \$29,209 million was outstanding at the end of November 1954 (Federal Reserve Bulletin, January 1955)

¹¹ The 1950 census of housing carried out by the Department of Commerce showed 23,559,966 owner-occupied homes, compared with 10,866,970 in 1920; in 1950 55 percent of the homes were owner-occupied; in 1920 45.6 percent.

¹² \$72,600 million of mortgage debt was outstanding on nonfarm 1-family to 4-family properties in September 1954 (Federal Reserve Bulletin, loc. cit.)

in some cases, at additional cost; the policy provides the college funds whether the parent lives or dies. This guaranty is of increasing importance today, as more and more of the Nation's youth look towards a college education. On the basis of present enrollments it would appear that every seventh child expects to go to college.

Another development in life insurance underwriting that has made an important contribution to the widening social security of worker families has been the intensive expansion of extra-risk life insurance. This insurance, which provides life-insurance protection for persons in specially hazardous occupations or in impaired health at an extra premium commensurate with the additional risk involved, now gives protection to millions of persons who would not be eligible for life insurance at standard rates. The aggregate of extra-risk life insurance in force in the United States is now nearly \$14,000 million according to an Institute of Life Insurance estimate based on the 1952 aggregate of \$11,700 million. The number of such policies is now around 5 million.

During the past 25 years practically every life-insurance company has undertaken to issue extra-risk policies, and so widespread has been the underwriting of such risks that policies are now issued to 97 percent of all applicants for ordinary life insurance (the type under which these extra-risk policies are chiefly written). Occupational risk has almost disappeared as a factor in uninsurability, and today only a few exceptionally hazardous jobs are a cause of noninsurance. In the field of health the study of risks and measuring of extra hazards has become so thorough that many persons with certain categories of heart disease and many who have had successful cancer operations or have recovered from tuberculosis are now insured. A quarter of a century ago many worker families were without the benefit of life insurance other than industrial or group insurance, owing to non-insurability; today very few families are in this position.

How extensive the ownership of life insurance has become among worker families may be seen from the last survey of consumer finances made by the Survey Research Center at the University of Michigan for the Federal Reserve Board. This survey, made early in 1954, indicated that life insurance had been taken out by 89 percent of all families of skilled and semi-skilled workers and 90 percent of all families in which the chief income-producer was engaged in clerical and sales work. Both of these percentages were higher than the average ownership for all families (80 percent) and were as good as or better than the figure for professional or self-employed persons. This reflects the important advance in the self-developed family security programs among workers in the past quarter-century and half-century.

Another life insurance feature, highly developed in the past 10 to 15 years and an important contribution to greater family financial security, is the income option of policies. This permits benefits to be drawn as continuing income instead of as lump-sum payment. In 1953, according to the Institute of Life Insurance, 28 percent of aggregate ordinary and group-life-insurance benefits were set aside for future income payments. This heightened appreciation and use of the income concept adds materially to the security of the beneficiary family.

Life insurance is not the only security facility offered by the life insurance companies, and there have been even greater advances in some other forms of protection that contribute equally to the social security of the country. Annuities, for instance, now comprise an important part of life-insurance operations. One-sixth of all funds held by the life insurance companies are annuity reserves guaranteeing future annuity payments. These annuity reserves are now about \$14,000 million.

The annuity is not a new type of contract. It was one of the earliest forms written, nearly 2 centuries ago, but its major development in the United States has come about during the past 25 years. The lessons of insecurity after retirement, learned during the early days of the depression that began in 1929, brought keen interest in such plans. Between 1930 and 1935 the premiums put into annuities increased fivefold, even though it was a period of sharply reduced consumer income and consumer spending. The trend was still further accelerated after 1935, when the adoption of the Social Security Act with its "security floor" enabled many worker families to add, through their own purchase of annuities, generous increments to the security provided. This movement toward retirement planning was materially aided by the wide-scale development by the life insurance companies of plans for group annuities. These plans, which established annuity purchases through employer-employee cooperation, with paid-up increments added for each year of employment, enjoyed a 13-fold increase between 1935 and 1953. At the beginning of 1954 some 3 million persons were covered by group

annuities with about \$1,000 million of future annual income already paid for—and the amount is growing each year that these workers are employed.

The aggregate of all annuities in force is in the neighborhood of 5 million today, and the annual income for the future retirement needs of those covered is rapidly approaching the \$2,000 million mark. Nearly \$400 million is already being paid in annuities each year on some 900,000 policies.

Annuities represent the backbone of the insured pension plans in the United States, but some pension plans use individual life insurance policies, especially retirement income policies, and some use special plans. Some of the annuities, of course, are individual units and not a part of work-group pension plans. At the end of 1953 some 15,730 employer or associated groups were making use of insured pension plans covering 3,940,000 workers. These plans comprised more than half of all private pension plans in force in the country. Accident and sickness insurance is another form of protection issued by the legal reserve life-insurance companies. It is written by them in large volume today. Premiums for such policies total more than \$2,000 million—more than one-sixth of all premiums received by the life insurance companies. Accident and sickness insurance benefits paid by the life insurance companies are now equal to more than one-fifth of all life insurance benefit payments.

The life insurance companies have issued accident and sickness policies for many years, but during the past 25 years a new development has given real impetus to the spread of such protection among the nation's work force. Group insurance principles were applied to the accident and sickness coverages in the late 1930's and early 1940's. As a result, the great bulk of United States workers now have some form of accident and sickness protection.

For a picture of the effectiveness of these disability coverages, all such plans must be taken into consideration—those of the life insurance companies and the casualty insurance companies and independent plans. The last survey made by the Health Insurance Council, representing all the organizations writing sickness and accident insurance, showed that 43,552,000 workers had hospitalization coverage at the end of 1953; if one includes dependents who were also covered, the total was 98,793,000.¹³ In addition, 35,527,000 of the workers were covered by surgical expense insurance, and 46,820,000 dependents brought the total enjoying such protection to 82,347,000. Medical expense insurance covered 42,910,000 persons; about half of these were workers and half dependents.

The total employed civilian work force in the United States at the end of 1953 was 60,680,000.¹⁴ It can be seen that more than two-thirds of all workers are insured against hospitalization, and many have the additional coverages.

How widespread the use of employer-employee arrangements for group insurance plans has become among urban workers is indicated in a recent survey made by the National Industrial Conference Board, which covered several hundred business and industrial firms.¹⁵ This was a representative sampling: 8 percent of the firms employed over 5,000 workers; 37 percent 1,000 to 5,000; and 55 percent under 1,000 workers. It was found that in 98 percent of the firms there was a hospitalization benefit plan for employees, and in 87 percent these benefits were also extended to dependents. Also 94 percent of the firms had a surgical benefit plan, 90 percent had group life insurance and 4 percent had the new catastrophe or major medical plan, which provides benefits for the larger expense items not covered by the basic plans. This latter is only a few years old, but it is estimated that it already covers some 2 million persons.

During 1953 the aggregate of benefits paid under combined sickness and accident insurance plans of all kinds was \$2,500 million. Of this, \$1,100 million was paid by life insurance companies alone; other insurance companies paid \$315 million; Blue Cross and Medical Society plans paid \$918 million; independent plans paid \$168 million.¹⁶

¹³ Health Insurance Council: The Extent of Voluntary Health Insurance Coverage in the United States (as of December 31, 1953).

At end of 1954—

Workers covered by hospitalization.....	44,053,000
Including dependents.....	101,493,000
Workers covered by surgical expense.....	36,462,000
Including dependents.....	84,890,000
Workers covered by medical expense.....	21,527,000
Including dependents.....	47,248,000

¹⁴ U. S. Bureau of the Census.

¹⁵ National Industrial Conference Board: Management Record (November 1954).

¹⁶ Health Insurance Council: Annual Report on 1953 Business.

INSURANCE AND THE CREATION OF EMPLOYMENT

The life insurance companies make an important indirect contribution to social security in the United States by creating employment through the investment of policyholder funds pending their call for benefit payment. These life insurance dollars become productive capital funds, which aid the whole economy while they are held in trust for the benefit of the 93 million individual policyholders. At the beginning of 1954 the aggregate funds of the life insurance companies were in excess of \$84,200 million, and such resources have come to be an important source of capital funds. On the basis of the average capital required to create and maintain a job in business and industry, the corporate securities alone held by the life insurance companies now represent some 5 million jobs. Life insurance assets continue to grow, even in lean business years, and they represent one of the most stable segments of the investment structure. The increasing importance of these dollars in the supply of capital and the consequent creation of employment is of considerable value in stabilizing the economy and its income-producing base.

THE GOVERNMENT PROGRAM

The security provided and the benefits paid under the Social Security Act, which was passed by Congress in 1935, have become an important part of the social security of the country. Operating in two directions, the Government program provides unemployment benefit through State plans, which receive grants from the Federal Government; at the same time, in the worker families covered, survivorship benefits are granted to widows and to children of workers who die before the children have attained the age of 18, and retirement benefits to workers and their spouses upon attainment of age 65. The amount of insurance protection that would be necessary to provide equivalent benefits has been estimated to be equal to more insurance than the aggregate in force with all life insurance companies in the country.

Under the Social Security Act the old-age and survivorship provisions are financed on a gradually rising tax plan, with a reserve for safety and fluctuation; it was conceived as a mere sustenance program, giving a security floor below which no person covered by it would be allowed to fall. This legislation was an adaptation of the principles of insurance and was originally inspired by those who were thoroughly convinced of the value of insurance to the social security of the people.

For some years before the Government plan was set up efforts were made to develop some such program through the established insurance companies. Some of the largest companies sent executives to various countries all over the world to study needs and current practices. No formula could be found, however, by which private insurance companies could underwrite the unemployment risk. At the same time it was obvious that private insurance could not provide the mass old-age security guaranty without decrease or interruption through periods of extreme unemployment or very low income; it would be necessary to grant to some persons almost gratuitous benefits. To establish the guaranty for later years for all persons appeared to leave no alternative to compulsory coverage through the place of employment, with the cost of the plan set as a tax on worker and employer. Life insurance actuaries were called upon to advise the Government when it drew up the initial program and have been consulted by the Government since then.

What the Social Security Act provides in the way of old-age and survivors' benefits may be seen by citing the case of a worker aged 35, earning \$4,000 annually, with a wife also aged 35 and 3 children aged 10, 8 and 3. Should he die this year, the survivorship benefits to his family over the years could come to nearly \$44,000; if both husband and wife live to age 65, their old-age benefits, under normal expectancy, would represent a total value of about \$20,000.

The survivorship benefits under the Social Security Act have been estimated to represent the equivalent of about \$350 billion of insurance.

This Government program is already paying out several thousand millions of dollars annually. During the fiscal year ending June 30, 1954, total old-age and survivorship benefits were \$3,275 million¹⁷; 6,469,000 persons were receiving monthly payments, and 540,000 lump-sum death payments were made. At

¹⁷ Social Security Bulletin (U. S. Department of Health, Education, and Welfare), vol. 17, No. 9, September 1954.

the beginning of 1954 some 48 million of the 63 million persons in the work force were covered by the Social Security Act—nearly 91 million persons had some wage credits established; and 9–10 million more workers were brought under the provisions of the act during the year.

The proportions of the unemployment coverage may be seen by the figures from the report for the same fiscal year, which show that \$1,588.8 million were paid in unemployment benefit from the State plans. These payments covered 67.5 million weeks of unemployment for some 6.2 million workers, who averaged 11 weeks of benefit payment, at an average of \$24.45 weekly. The stabilizing effect of these payments is indicated by the fact that 6.2 million workers received benefits, while the maximum unemployment reported during the year was 3,725,000. The payments under most State plans amount to one-half of the current taxable wages, up to a maximum of \$30 in weekly benefits, and continue for a maximum of 26 weeks. In some 11 States additional allowances are made for children, commonly \$3 weekly per child. Thus it is not uncommon for a worker with an average family, earning \$60 or more weekly, to receive \$45 weekly unemployment benefit for 26 weeks. This insurance-inspired program has been an important element in stabilizing employment, as it has helped to minimize the progressive increase of unemployment through the complete collapse of the finances of unemployed families.

Other factors besides the contributions of life insurance and the insurance-inspired Government programs have entered into the enhanced social-security picture. The rise in income levels, which has outpaced the increase in living costs, has meant that an increasing portion of family income has become available for items other than the basic needs for food, lodging, and clothing. This has probably been reflected more in the United States and Canada than elsewhere. A recent study of the United Nations showed that in the United States 30.6 percent of incomes were available for such expenditure, in Canada 28.5 percent, and in other countries from 19 to 24 percent (see table V). It is this margin above the necessities of life that permits a rise in the standard of living and the building of a secure future.

TABLE V.—*Distribution of personal consumption expenditures in 8 countries in 1952*

[Percentages]

Country	Food ¹	Shelter	Clothing	All other
United States.....	35.6	23.5	10.3	30.6
United Kingdom.....	47.6	18.9	9.7	23.8
Canada.....	34.4	24.4	12.7	28.5
Sweden.....	41.1	23.4	15.6	19.9
Norway.....	38.8	19.4	19.0	22.8
Germany.....	49.1	20.3	15.8	14.8
Belgium ²	40.4	28.8	11.7	19.1
Japan.....	56.6	10.0	10.7	22.7

¹ Includes tobacco and alcoholic beverages.

² 1951 figures.

Source: United Nations.

United States workers have made good use of their higher incomes by planning for the future. This has been evident in the great increase in life insurance, annuities, pension plans, and other elements of security. They have also increased their savings. This has been especially evident in the years since the end of the Second World War, when many war shortages were being made up and goods that had not been available to the consumer were reappearing. With larger incomes and larger spending margins, families might well have gone on a buying spree and completely overlooked new savings. On the contrary, savings rose to the greatest level ever known. The aggregate of bank savings deposits, postal savings, balances in savings and loan associations, life-insurance policy equities, and savings bonds held by individuals was estimated at \$213,491 million in mid-1954 (4½ times the 1929 total) (see table VI). The average per family rose from \$1,200 in 1929 to \$4,000 in 1954.

TABLE VI.—*Long-term savings of United States families*

[Millions of dollars]

Year	Bank savings deposits	Postal savings	Savings and loan balances	Savings bonds	Life-insurance policy equities	Total	Per family
1929	27,962	169	6,237	-----	12,801	47,169	1,200
1933	20,485	1,229	4,750	-----	14,613	41,077	1,000
1941	26,013	1,392	4,682	5,400	26,592	64,079	1,400
1947	52,438	3,523	9,753	46,200	43,820	155,734	3,200
1953	66,346	2,466	22,823	49,300	65,150	206,085	3,900
1954 ¹	69,005	2,357	25,129	49,600	67,400	213,491	4,000

¹ As of June 30.

Source: Home Loan Bank Board.

The equities acquired in homes should be added to these savings to give a more complete picture of the financial strength of families in the United States. The median value of homes has grown from less than \$5,000 in 1930 to nearly \$7,500 in 1950.¹⁸ The current value of homes is such that the net equity of homeowners is probably in the neighborhood of a quarter of a million million dollars—which would be more than \$4,000 per family; and over half of these homes are owner occupied.

FUTURE DEVELOPMENTS

Life insurance has not reached the zenith of its contribution to social security. Its social and economic benefits have grown over the years and will continue to grow. The constant adaptation of life insurance practices, policy plans, and rating procedures to the continuous changes in social and economic life is being accelerated today, just as the whole pace of living is increasing. No one can say with any certainty today what the future will bring, but certain ideas now under consideration may make important contributions to the security picture of the future.

One of these is the "variable annuity" plan. By a special act of the New York State Legislature in 1952, an experimental operation in the field of variable annuity was permitted for a life insurance company specializing in life insurance for college teachers. The objective was to create an annuity in which part of the funds go into equity shares, the dividends being used for reinvestment. Payment would eventually be made on the basis of the market value and reinvested dividends of common stocks for the variable part of the contract; the nonvariable part would be a fixed dollar plan. This College Retirement Equities Fund (CREF) now has some \$8 million of assets, held for 16,000 college teachers. The experiment is being watched with keen interest. Some other experiments are also under way, in some cases using group annuities and pension trusts to achieve a similar result.

Life insurance companies generally have been reluctant to enter this field. Up to now their operations have been confined entirely to fixed dollar contracts. There is a feeling on the part of many insurance executives that policyholders would react unfavorably if deflation caused a fall in the value of their holdings. The national economy has had the longest sustained period of prosperity, free from marked deflation, in history. Many heads of families have never faced a depression. The public reaction to the consequences of serious deflation, even though the risks had been carefully explained at the time of purchase of such a variable annuity, might be severe. Some predict, however, that once the variable annuity experiments have made their trial runs this will be one of the great new developments of the future.

Another matter that has been raised is the carrying of insurance equities from one job to another. However, under the majority of the insurance plans associated with employment, this is not as great a problem as some believe. Group life insurance is usually on a term basis and carries no individual equities; hence, when a worker moves from one job to another, he merely moves out of one group into another. Group sickness and accident insurance is similarly an annual coverage and develops no equities. Group annuities in most cases consist of annual increments of paid-up coverage, bought and paid for through the employer. Thus, when a worker leaves a group, he carries with him his full equities, paid for up to date (provided, of course, he has been on the job long enough to vest his equities). If the new job does not offer a group annuity, the worker cannot, of

¹⁸ U. S. Department of Commerce: United States Census of Housing, 1950.

course, continue to expand the future retirement income, but with the growing number of firms offering pension plans, this problem is diminishing.

It is probable that the cost per \$1,000 of life insurance protection will continue to decline in the future as it has in recent years. In the early part of the past 25 years there was a rise in the net cost per \$1,000 for life insurance. This was due, however, to the sharply declining earning rate on invested life insurance reserves. The earning rate (after income tax) declined from 5.05 percent in 1929 to a low of 2.88 percent in 1947. Since 1947, however, the earning rate has risen and in 1954 was estimated to be 3.23 percent. During the past 25 years, moreover, the death rate among policyholders has declined sharply. In 1929 it was estimated to be 9 per 1,000; the estimate for 1954 is in the neighborhood of 6.3 per 1,000. The dollar saving from reduced death claim rates was an important offset to the declining interest rates earned on investments. There is no reason to believe that the death rate will not continue to decline and, with investment yields improved or stabilized, this should mean a continued lowering of policy costs.

An important factor in the lower average annual premium outlay by policyholders per \$1,000 of life insurance protection in recent years has been the material change in the types of policy bought—and also the average age at purchase. With the advent of group life insurance, largely on the term basis, and special combination policies like the family income plan, involving a large volume of term insurance, the average outlay per \$1,000 of protection has dropped considerably. At the same time the purchase of life insurance by millions of youths in the past decade or two has given a much lower average annual cost for many policyholders.

Life insurance companies and their agents are constantly on the alert for new features and improved procedures for extending more widely this basic type of protection. The advances made by life insurance in the past quarter century may be traceable in large part to these efforts. Such efforts will continue in the future, probably stimulated to an even greater degree by the increased competition for the consumer's dollar, both within businesses and between businesses. Each change, each new idea, opens up whole new areas of interest for the buyer and results in increased volume of business. It has recently been estimated that \$1 million million of life insurance may be expected to be in force in the United States within 15 or 20 years, on the basis of the growth of such protection over the past 50 years. Should that be accomplished, with an anticipated population of around 200 million by 1975,¹⁹ the average life insurance per head of population would probably be \$5,000, compared with a present \$2,100—which would probably mean an average per family in 1975 of about \$15,000, compared with the present \$6,400.

The other coverages and services provided by the insurance companies on behalf of the social security of the Nation will certainly continue to grow. The rapid pace of expansion of recent years in certain areas may not be maintained in the future, but even a slower rate of growth will see family financial security greatly widened in the years ahead.

The strides made in the past 25 years may be more clearly seen by a detailed comparison of some of the security facilities available to a typical worker in 1929 with those available in 1954. Table VII does not present an average and is not symbolic of all workers, but it shows the situation of some millions of workers.

TABLE VII.—*The financial protection of a typical United States worker's family against the hazards of death, unemployment, sickness, accident, or retirement, 1929 and 1954*

Type of protection	1929	1954
Life insurance.....	\$3,000	\$8,000.
Annuity or pension.....	None	\$100 monthly.
Sickness and accident insurance.....	None	Hospitalization, surgical benefit, and medical expense benefit for self and family.
Workmen's compensation for occupational injury.....	Yes	Yes.
Unemployment benefit.....	None	Up to \$200 monthly.
Social security survivorship benefits.....	None	Up to \$200 monthly while child is dependent.
Retirement benefit under Social Security Act for self and wife.....	None	Up to \$162.80 monthly.
Home equity.....	2,000	\$4,000.
Savings for emergency.....	1,200	\$4,000.
Balance of annual income above food, shelter, clothing.....	500	\$1,300.

¹⁹ Potential Economic Growth of the United States During the Next Decade, report for the Joint Committee on the Economic Report, 1954.

As may be seen, a large share of the improved family financial security of the worker—and the social security of the Nation as a whole—has stemmed from the contributions of private life insurance companies or Government programs inspired by life insurance. The progress to date is an excellent illustration of what voluntary effort, in conjunction with Government effort in situations that cannot be met by private business, can do in developing greater security for the masses of the people. This is a continuous, never-ending, operation which holds promise of still greater social security for the next generation. The weight of one of the country's most effective sales organizations, thoroughly aware that even the present improved level of security is not sufficient, insures that there will be no slackening in the development of new facilities or the expanded use of the old.

Senator SPARKMAN. Before we get too far away from this \$700 billion—

Mr. HOHAUS. May I ask you, Senator, don't ask me to mentally divide, multiply, or add.

Senator SPARKMAN. You may be prepared to answer this question which stirs my curiosity. Let me say that we are very pleased to have Congressman Bolling with us this afternoon, by the way. He wasn't here this morning to hear the discussion of \$700 billion.

I was just wondering; I appreciate the statement that you make. In other words, breaking it down by family units, it represents about \$13,000 per family unit.

Mr. HOHAUS. Yes, sir; there are about 53 million family units, according to Bureau of Census reports.

Senator SPARKMAN. That is a pretty good division you so quickly made.

Mr. HOHAUS. I didn't make it. It is in the article.

Senator SPARKMAN. Perhaps you can answer this: What percentage of our people are covered by that? Of course, the figure you give is an average figure, but what percentage of our people share in this protection of \$700 billion?

Mr. HOHAUS. About half of it is the benefits under OASI.

Senator SPARKMAN. I realize half of the total represents private insurance and pensions, and so forth, and the other half the Government plans, but the point I am trying to make is, of the 165 million Americans, what percent of them share one way or the other?

Miss SNYDER. Isn't there double coverage in that total?

Senator SPARKMAN. A great many people would have neither. That is what I am trying to get at.

Mr. SIMPSON. They need it the most, perhaps.

Senator SPARKMAN. That is exactly the point. Sometimes we are likely to be carried away by these figures that show up so well, the average, as we were this morning under Mr. Folsom's testimony, when he told how we had been progressing. Yet if you look at that group that is making under a thousand dollars, it has remained stationary, as measured by 1948 dollars.

Mr. HOHAUS. I have the figures for my own company, the Metropolitan. We have insured, eliminating duplication, persons only counted once, about 35 million people.

Senator SPARKMAN. How many would you say are insured throughout the United States?

Mr. HOHAUS. If you will allow me to answer your question later, I have a book here which I think gives us the figure.

Senator SPARKMAN. If you might do that it will throw light on it.

Mr. HOHAUS. I will have to dig in my briefcase.

Senator SPARKMAN. It might throw more light on it.

It was an interesting figure that was introduced into the hearings this morning. I might say for Congressman Bolling, who wasn't here, although you may have understood from what has been said, that the dollar value of insurance policies and plans, plus social security and other Government benefits, accruing to the American people today, have a face value of \$700 billion.

Mr. HOHAUS. I think I am prepared to answer your question. This is from the Fact Book published by the Institute of Life Insurance.

At the end of 1953, 4 out of 5 of all families, 80 percent, owned some kind of life insurance according to a survey of consumer finances conducted for the Federal Reserve Board by the survey research center of the University of Michigan. Of the 340 or 350 billion dollars of private life insurance, about a hundred billion dollars is group insurance under which employees of corporations and other employers, including the members of this committee insured under the Federal group life plan, are covered. That coverage usually runs from a year's salary, as under the Federal plan, to about a year and a half or 2 years' salary. There is an increasingly growing amount.

Senator SPARKMAN. It is all interesting. I suppose there is no way of reaching it, but I am looking at that left-hand column still, of people under a thousand dollars income.

Mr. HOHAUS. The table in page 15 of this Fact Book shows that for income under a thousand dollars, the percent of families insured is 47 percent.

Senator SPARKMAN. We are getting closer and closer to it.

Now, one other question: Do you know in what sections of the country—

Mr. CRUIKSHANK. Is that life insurance?

Mr. HOHAUS. That is life insurance.

Senator SPARKMAN. I started to say this: Down in my section of the country a great deal of life insurance—and this would particularly apply to that lower-income bracket—is the industrial insurance that you mentioned; the nickel and dime a week that the policyman collects.

Mr. HOHAUS. I think you will find in your part of the country like in my part of the country that the insurance we are referring to, weekly premium, will to a large extent be on the spouse and the children. The head of the family should carry the major part of the insurance. We keep stressing that the first person to insure in the family should be the head of the family and he should be adequately insured, then smaller amounts for others in the family. I think you will find in many families in your part of the country that the head of the family will have ordinary insurance and group insurance, both of which are usually for much higher amounts than under weekly premium industrial insurance.

Senator SPARKMAN. I might be able to give you a pretty good exhibit. I have a tenant on a little farm that I own. He and his wife have 12 children—the thirteenth one may have come since I left home a few days ago. Once a year I pay the premium for them. I have somewhere in my files how much it amounts to for each one. Of course, what you say is true, the chances are that the head of the family does not have more than a thousand dollars, if that much,

and you get on down so that the children will have probably a couple of hundred each, or something like that.

Mr. HOHAUS. I personally—

Senator SPARKMAN. I think that is more or less typical of that type of family.

Mr. HOHAUS. I personally have never maintained that was adequate insurance.

Senator SPARKMAN. I am not arguing it is adequate. The point I am trying to make is that we might allow ourselves to overlook the fact, in talking about this coverage of \$700 billion, that many, many of the lower income groups are not adequately protected by that \$700 billion.

Let Miss Snyder call attention to something here.

Miss SNYDER. In the staff report on page 36 we have some figures taken from the Bureau of Labor Statistics' 1950 Survey of Consumer Expenditures. There is a separate item for average family expenditures on insurance. That is personal insurance. It shows that on the average, families and single individuals with incomes under a thousand dollars spent \$12 per year on insurance.

Mr. HOHAUS. This table shows \$70.

Senator SPARKMAN. Are you looking at page 36 of our staff report? At the under-a-thousand-dollar group?

Mr. HOHAUS. That is right.

Senator SPARKMAN. This is 1951?

Miss SNYDER. The BLS data relate to 1950.

Senator SPARKMAN. What is your date, Mr. Hohaus?

Mr. HOHAUS. This is 1953.

Miss SNYDER. The BLS figures are just for urban families, too.

Senator SPARKMAN. Perhaps we can reconcile that.

You wanted to add something?

Mr. HOHAUS. I wanted to make a comment off the record.

(Discussion off the record.)

(The following was subsequently received for the record:)

METROPOLITAN LIFE INSURANCE CO.,
New York, N. Y., November 23, 1955.

Miss ELEANOR SNYDER,
Staff Economist,

Senate Office Building, Washington, D. C.

DEAR MISS SNYDER: Enclosed is a self-explanatory memorandum from our economist which gives an explanation for most of the apparent discrepancy in the \$12 figure reported for a specific item in your staff's report and the \$70 figure for a similar item in the 1955 life insurance fact book.

Sincerely,

R. A. HOHAUS,
Vice President and Chief Actuary.

To: Mr. R. A. Hohaus, vice president and chief actuary.

From: W. A. Berridge, economist.

Subject: Discrepancy between average premium payments by low-income families, United States Bureau of Labor Statistics survey of consumer expenditures and Institute of Life Insurance life insurance ownership survey.

Families with incomes of less than \$1,000 are shown as paying \$12 "Expenditure for insurance," on page 36 of "Characteristics of the low-income population, 1955," quoting from United States Bureau of Labor Statistics survey of consumer expenditures in 1950. They are shown as paying \$70 "Average premium payment," on page 15 of 1955 life insurance fact book, quoting from page 7 of the 1954 life insurance ownership among American families, special tabulations prepared for

the Institute of Life Insurance by the University of Michigan survey research center from the 1953 survey of consumer finances.

Although we cannot explain away the entire discrepancy, we can account for a very large proportion of it as follows:

1. Fact Book figure (\$70) is for 1953. The corresponding 1950 Fact Book figure is \$55.

2. Fact Book refers to only insured family units; Bureau of Labor Statistics is not thus limited. Thus, if for 1950 we apply the \$55 to the 43 percent insured in that income bracket, we would come down to a figure of \$24 as the average premium payment for all family-spending units, noninsured as well as insured.

3. The Bureau of Labor Statistics refers to urban units only, while the consumer survey purports to sample the entire country. The smaller city areas show larger than average payments, the small towns and open country substantially less than the average, and the larger cities about the same as the average. This could be a factor in accounting for a part of the discrepancy.

4. Both surveys are based upon samples, hence are subject to their own sampling errors as well as errors common to both, such as reporting errors, errors due to nonresponse and so on.

Thus, what started out as \$58 discrepancy, is cut by \$15 if we correct the date, and cut by \$31 if we include noninsureds as well as insureds, leaving \$12 not specifically accounted for.

WAB.

NOVEMBER 23, 1955.

Senator SPARKMAN. All right, Mr. Johnson.

By the way, I failed to say a while ago in presenting Mr. Johnson, that he has tussled with this problem in the State legislature. He is a member of the Legislature of the State of Colorado.

STATEMENT OF BYRON L. JOHNSON, PROFESSOR OF ECONOMICS, UNIVERSITY OF DENVER

Mr. JOHNSON. Thank you, Senator.

I am not sure in which capacity I speak here, but I will proceed anyway.

I think that Congress has underwritten, to the extent that it has, a minimum standard of income security, not only in recognition of the proposition that every man ought to have his necessities of life provided, but that we can afford to guarantee that provision in the United States. Or, put it another way, we guarantee the income security of the low-income person, not only out of our love for our fellow man but out of the recognition that for society as a whole to be strong each part of it must be strong. Some of these whom we strengthen through social security may ultimately contribute immensely to the welfare of all the others, and it is against that kind of philosophy, it seems to me, that we ought to be examining the unmet needs in the social-security program.

In my own teaching in this field, and thinking in the field, I have found it very helpful to examine in turn the aspects of coverage, eligibility, benefits, financing, and administration, and, in my paper prepared for this study I have used this approach successively on OASI, unemployment compensation, and the public assistances.

(The statement of Mr. Johnson is as follows:)

INCOME SECURITY THROUGH SOCIAL SECURITY

Byron L. Johnson, associate professor of economics, University of Denver

The Joint Committee on the Economic Report, through its Subcommittee on Low-Income Families, has undertaken a long-overdue review of the needs unmet

by current social insurance and government welfare programs, looking for answers. This paper will attempt a summary review of some of these unmet needs, and suggest the kinds of changes in the social-security programs, broadly defined, that would improve their total effect upon low-income families.

THE LOGIC OF INCOME SECURITY

Congress has underwritten a minimum standard of income security, it seems to me, in recognition of the proposition that every man ought to have his necessities of life provided, and that we can afford to guarantee that provision. We do this not only out of our love for our fellow man, but out of the recognition that for society as a whole to be strong, each part of it must be strong. Some of those we strengthen through social security may ultimately contribute immensely to the welfare of all the others.

The actual level of income security will always be a product of the culture and the times, and subject to local interpretation—but generally, we are agreed that a minimum standard of health and decency ought to be provided, although this is an elastic yardstick.

The Federal interest in such a guaranty grows out of these considerations, among others: Every citizen is a Federal citizen first; the welfare of every part of the Union is dependent upon the welfare of every other part; our citizens are of right, and need to be, mobile; the need of an area is not correlated with its ability to meet that need, except, perhaps, inversely; administrative considerations strongly support a single, national system of retirement and survivors insurance; strong State-local programs of public assistance could only be created through Federal aid; and all but one of the several States refused to enact unemployment compensation programs until given Federal "encouragement."

The decision as to the level of income security to be provided by each program is essentially a political question, in keeping with "the commonsense of the community." OASI formulas have responded to changing conditions, and have some built-in adjustments. It offers the worker an inducement of higher benefits for better performance. The Federal interest is to make possible and likely an adequate minimum provision for income security, while leaving room for personal and local responsibility.

STRENGTHENING OLD-AGE AND SURVIVORS INSURANCE

Although old-age and survivors insurance is the keystone in the arch of governmental income security, it still exempts and excludes millions of workers. Many of these persons look to other limited retirement systems as substitutes; they do so in error. For the limited retirement systems provide security at the expense of freedom. The worker, in most cases, can protect his security only by giving up his freedom to move out of the range of the limited protection these systems afford. Only through old-age and survivors insurance can a worker maintain his freedom of job mobility without loss of security.

OASI coverage

Every job ought to look to OASI for basic protection, including governmental civilian and military and uniformed services. That greater protection than this affords may be sound employment policy is not the issue. Such added protection should come from supplemental plans, not from competitive plans. I have previously suggested¹ that OASI offer, in addition to its standard program, a program of voluntary supplementary group annuities to employers or employee groups who wished to supplement their benefits with further sums purchased on a straight actuarial basis.

I would revise the proposal now only to separate the problem into three stages. The Government could surely complete the integration of its own civil-service and military-service pension programs with OASI on such a basis. It could also complete the integration of railroad retirement and OASI so that in each of these integrations, the covered personnel would draw first an OASI benefit, and then a supplemental benefit actuarially computed, so that the two totaled as much as is now guaranteed. The total cost would surely be less than the cost of the many separate programs now.

After completing the integration of the Federal programs, a similar package could be offered to the public school employees, to the police and firemen, and to other State and local employees. When this had been successfully consummated,

¹ Testimony before Senate Finance Committee hearings on the 1950 amendments to the Social Security Act; and subsequent letters to members of the committee.

it would be time enough to offer such supplemental annuities on a group basis to private employers. Many millions of workers are in for disillusionment in the years ahead as they find that their rights in their company and union plans are not vested at all; and many others will have their rights vested only after long periods of service.

The proposals I have outlined would restore the freedom and mobility of the workers covered by such plans, yet provide full, immediate, and automatic vesting of all contributions and cumulation of all rights earned in any employment covered by such a supplemental plan. It would cost less to administer, and result in greater equity.

The only other significant exclusions from coverage ought to be dropped, so that we have a truly universal OASI program covering every occupation from professional private practice physicians and lawyers to migratory farm hands. Our Colorado farmers, incidentally find the present \$100 wage payment to a migratory worker before coverage hard to administer. They want to take out his taxes from the first dollar of wages, and report it as any other employer would. As it stands now, the treatment of domestics and migrant laborers still serves to cut the benefit rights of some of the low-income workers most in need of the protection.

Eligibility for OASI benefits

The most important change needed here is to qualify those disabled for 6 months or longer for primary benefits immediately (and not simply "freeze" their subsequent benefit rights), and also to make their dependents eligible if the disabled worker had been regularly contributing one-half or more of their support at the time of the disability.

Permitting women, including wives and widows as well as primary workers, to qualify at age 62 would face the facts of life more clearly—that most men are married to women who average 3 years younger than themselves. As it stands now, one reason for a man to postpone retirement is to await the age when his wife will also qualify.

Parents are discriminated against as dependents—they can qualify only if there are no other dependents. Surely they should be counted as dependents, on some reasonable basis, regardless of the marital status of the retired or deceased worker.

The physically or mentally disabled survivor or a deceased worker, and the physically or mentally disabled child of a retired worker, ought to qualify regardless of age, in simple recognition of parental responsibilities in these cases.

OASI benefits

Unless the amount of covered wages is raised to an amount consistent with the range of the original law (and \$6,000 today is little more than \$3,000 was in 1935), the benefits formula moves toward a flat (though ceiling) amount. Forty-four percent of the men awarded benefits in 1954 on current earnings got the maximum. With coverage of \$6,000 a year, it would be necessary to remove the arbitrary \$200 limit on benefits based on one account. That limit now affects more than half of all widows having two or more children. Only 80 percent-of-average-monthly-wages ceiling appears fully defensible.

For workers who postpone retirement after the age 65, some incentive and reward ought to be provided. The cost of the program is reduced by such action, and a 5-percent increment in monthly benefits for each year of postponement would cost less than the amount saved by each year's delay.

The work clause is much improved by the new law, but I would prefer an incentive budgeting approach to these earnings. For example, if the worker has earned more than \$1,200 in a year while drawing benefits, I suggest that we take from his subsequent checks one-half of the amount earned thereafter, so that he loses a full check only if his earnings are double his benefit amount, rather than have the whole amount turn upon the few cents beyond the monthly allowable sum, at that point, of \$80.

Each of these benefit changes would in fact reduce the program's cost, as a percentage of covered payrolls, perhaps more than enough to offset the increased costs of the changes in eligibility suggested above.

REHABILITATING THE DISABLED

The income security for those with extended disability can properly be added to OASI benefit schedules. But this does not assure their rehabilitation. Yet restoration of such persons to useful places in the community is even more important than underwriting their income security during a long period of disability.

Medical treatment and the provision of prosthetic appliances, and even the cost of retraining, can be paid out of insurance funds advantageously so as to reduce the time during which a disabled person requires income support. These costs of rehabilitation ought therefore also to come from the trust fund. The fund would of course provide income assurance during the period of transition to self-support. It could pay for any special continuing costs (glasses, batteries, appliances, etc.) needed to make the rehabilitation a continuing success in a given case.

The accumulation of safety experience through such a program would ultimately justify agency contributions to safety education in the areas of greatest need, as measured in this way.

Administration and financing

By broadening the eligibility for rehabilitation benefits under a new OASI program, the need for separate Federal grants for this program would be all but eliminated. However, attention should be given to the need to place the administration of this program in the hands of those who have demonstrated a real talent and zeal for the cause.

Every major medical center ought to have a rehabilitation center for the physical and mental therapy, as well as the retraining. Veterans' Administration facilities should be made available, as fully as possible, because of their excellent record of successful experience with such problems. Both public and private educational facilities should be called upon to help in the retraining, on a tuition or contract basis, with payments coming out of the trust fund.

The present program falls far behind the annual increase in the caseloads. The cost to society of caring for the disabled workers and their families, as well as in production lost from their nonparticipation, must run well over \$3,000 per man per year; and this cannot count the psychic costs upon the man and his family. We can well afford a generous program that will shorten the time period between the disability and the restoration to useful participation in the life of the community.

The cost of the program proposed herein would be little, if any, more than the costs now hidden in a variety of places (OVR grants, APTD grants, workmen's compensation insurance, and private insurance policies).

The chances are that present tax rates, particularly if a higher wage base were taxed, would easily absorb all of these outlays. But if they failed, it may be necessary to accelerate the tax rate changes. However, the cutback in APTD and OVR grants would offset this largely, if not fully. The present grant-in-aid programs are tempted to work only with the easy cases, to make a good statistical record. They tend to neglect the tough cases.

No single change in social security programs could be as significant as this one. A real zeal for the task of helping disabled people to be returned to socially useful lives is needed. The present programs are still not enough. They need a further stimulus, and I believe that this would provide it, particularly if all the present programs were integrated within a Disability and Rehabilitation Section of the Bureau of Old Age and Survivors Insurance, charged with this responsibility.

INSURING THE UNEMPLOYED

Coverage

Although OASI coverage has been greatly increased since the original 1935 act, the coverage required of the several States by titles III and IX has not been similarly revised. Surely Unemployment Compensation ought to be extended to all employed persons—the old exemptions and exclusions no longer seem necessary or desirable.

Coverage of the self-employed might well be studied, looking toward the possibility of employing the kind of protection offered the self-employed GI under the bill of rights as a model for income support for all self-employed. Perhaps a national (rather than Federal-State) program could be offered, particularly for self-employed farmers, to underwrite their income.

Eligibility

The recommendations of the Advisory Council appointed by the Senate Finance Committee in 1948 are still sound advice, in proposing that disqualifications should be limited to postponement of benefits for no longer than 6 weeks, except in case of fraud. The Federal law could wipe out the present cancellation and reduction of benefits that is now widely applied. At least part of the general assistance load grows out of these disqualifications.

Those workers paid on a time-worked basis, who are cut off from income by reason of temporary disability ought to become eligible for benefits, as they are now in at least four States (Rhode Island, New York, New Jersey, and California). The Federal Act could require their inclusion in order for State plans to qualify after, say, July 1, 1960.

Benefits

Just as OASI needs to be up-dated to the effects of inflation, so also does unemployment compensation. In other words, \$6,000 ought to be covered in wages, and the benefit ceiling should be removed. A worker ought to be entitled to a weekly benefit amount of one-twentyfifth of his high quarter wages, or equal to 1 percent of his annual wage rate, plus an allowance for dependents. This allowance might take the form of either a 10 percent increase in the weekly benefit amount for each dependent, or perhaps simply a flat \$3 per dependent. Such dependents benefits do not add greatly to cost, because a disproportionately large part of all benefits go to single workers. They will help, however, to deal with cases of real need among low-income workers, and reduce burdens upon public assistance.

Joint financing

The Advisory Council recommendation that employees share with employers equally in paying the State taxes would clearly have the merit of giving the employees a greater interest in benefits and in administration. Each State might adopt a standard rate suited to its overall needs, and through experience rating add 50 percent for firms with favorable experience. But there needs to be some limit to the range of costs as between firms, and some recognition that the whole economy may properly be taxed to underwrite the incomes of unemployed workers. The present zero rates available to firms lead to challenging of the worker's right to benefits in order to protect the employer's "experience."

Administration

The whole economy gains from wise and sound placement of workers. Every worker gains from being placed in that job making the highest and best use of his talents. If the Federal aid for the employment services could develop performance standards geared to the effectiveness of the placements, and not simply use referrals and placements as ways of getting an unemployed person a job—too often getting him any job—the whole economy would gain. Total outlays are not the only, nor the best, measure of the cost of a program.

MODERNIZING PUBLIC ASSISTANCE

The recent revisions of OASI are helping to shrink the significance of the old age assistance program, at least in terms of recipient rates. The proposals above for adding disability benefits would do a better job for the disabled than aid to the (so-called) permanently and totally disabled can do. Hence it is an appropriate time to review the whole public-assistance program.

The categorical approach is long out of date in social theory, though not banished from law. However, we have reason to believe that the failure of Federal aid to include general assistance for needy persons between 18 and 65 tends to distort not only the programs, but family patterns. A poor working father, whose income is inadequate for a large family, finds in some jurisdictions that if he were "continually absent from the home," his family would then qualify for ADC. As a result, he may be tempted to desert, although desertion may be for the daylight hours only; but it may lead to permanent desertion.

The wisdom of ADC aid for illegitimate children and their mothers is questioned when it appears to stand in the way of marriage of the mother to the natural father. When the program appears to subsidize women of easy virtue, it is also criticized.

The time has come for a thoroughgoing review of the problem of preserving strong family units, and such a study might examine the consequences not only the easy divorce laws, but of easy marriage laws as well. The usefulness of pre-marriage counseling, as well as of marital counseling, ought to be explored. The availability of money aids and the emphasis upon money aids often obscures the potentials of better counseling and related welfare services.

A unified public assistance program, as has long been recommended by the American Public Welfare Association, and as is found in H. R. 2892 of the 81st Congress, by Representative Doughton, of North Carolina, is clearly needed, in place of the present hodgepodge of programs. Essentially, this would put all

Federal aid to all needy persons on an equal basis, regardless of age, condition, or marital status. Because no social-insurance program can meet all needs, or any of certain kinds of need, some supplemental public-assistance program will always be necessary.

Even if any single State legislature wanted to correct certain of these errors itself, it could not do so within the framework of the present Federal law.

Eligibility and residence

Our mobile citizenry are often discriminated against by State residence laws, permitted by the Federal law. The time has come to write a new reasonable maximum waiting period to be used not only for public assistance, but for all programs involving residence, if possible. For migrant and transient workers, there should be a provision for waiver of any residence requirement otherwise in use.

The States ought each to provide reciprocity, so that a State would process a claim for an applicant who had less than 6 months' residence, and refer it back to the State of residence, if such State also used a 6 months' period. But the State should pay immediately upon proof of eligibility if such newcomer-applicant is from a State which has abandoned residence requirements altogether (e. g., Rhode Island).

Then, if a public-assistance recipient needed more, for any personal reason attested by the welfare director and a doctor, the State of initial residence would carry the case for 6 months after departure, and certify the case to the State of new residence.

A Federal standard for benefits

The unified public-assistance statute might well specify a flat amount of guaranteed income that it would help support on a variable percentage matching basis (see below) such as \$60 per month per adult, and \$30 per month per child. These would be the ceilings on Federal aid, apart from vendor payments for medical care, which might be approved up to an average of \$6 per month per case. This latter provision is clearly needed if more States are to do an adequate job of protecting the health needs of recipients. At present, only one-third of the States are making effective use of the vendor-payments provisions.

Some of the physically and mentally disabled will not be covered even under the suggested extension of OASI discussed above. The unified public-assistance program ought to provide these not only with income support as needed, but also might pay on a contract basis for care, treatment, and training.

Child welfare services

The child welfare-services program ought to drop its last vestiges of bias toward rural deficiencies, and become a uniform statewide program, urban as well as rural. It might well become in name what it must be in fact, a family welfare-services program, and then should be integrated fully into a unified public-assistance program, paid for out of the same program. The work of the welfare department properly extends to preventive counseling, foster care, juvenile work on court as well as welfare cases. The needs of the child and of his family must be considered on their merits, not on the basis of limitations of funds to one or another special programs. Details of State administration must be fitted, of course, into the State pattern of law and administrative structure.

Benefits under a unified public-assistance program should be extended to include as a routine matter the payment of foster care aid to families accepting children on a placing-out basis, even if the family itself is not needy. Our purpose is to provide home care for the orphaned children not adopted outright, and to provide home care rather than institutional care for those children who may not be adoptable, but who are capable of living in a normal home situation. Foster care might even be used, at least experimentally for exceptional children including physically and mentally handicapped who can be treated on an outpatient basis at special schools or children's hospitals, to cut out population in child-care institutions.

Incentive budgeting for assistance recipients

Every person on assistance who can earn any amount whatsoever, ought to be encouraged to do so, not simply to reduce the cost of the program, but also to help him to preserve his own independence and self-reliance. It is a tragedy that the law now seems to require that every such penny earned must be subtracted from the amount of his grant, so that he has no incentive to pick up even an occasional odd job.

True, some local administrators have found ways around this, by increasing the family or personal budget allowance in recognition of the extra cost of earn-

ing the income, or some have reduced the gross earnings to a net earning computation by subtracting such cost as travel, clothing, meals out, and other personal expenses arising from such activity.

It would be simpler to provide that public-assistance agencies shall subtract from the budget sum allowed the whole amount of unearned income and of other regular transfer payments such as annuity benefits; that they should ignore small gifts and tokens of love and friendship; and then subtract one-half, rather than the whole amount, of all earned income.

As it stands now, we are psychologically pauperizing assistance recipients. We ought instead to encourage any signs of self-sufficiency. The old depression fear that work done by an aged person was depriving some unemployed young person of a job ought to be buried forever.

Equalization financing of public assistance

Proposals for equalization techniques in financing grow of the recognition of sharp differentials in income or tax base as between different local jurisdictions, and as between States, which have tended to produce sharp differences in the levels of performance of governmental services among such units.

"It is important to link the two facets of equalization, for equalization of service levels in cooperatively financed programs, even minimum levels, cannot in fact be achieved without giving substantial attention to equalization of the burden of State and/or local support of the function aided * * *. All Federal grants, taken together, will fail to achieve the purpose of attaining a national minimum unless attention is also given to the burden that Federal aid often places upon the States."²

The inequities in program levels and in tax burdens of the present system has led both the past and the present administration to recommend certain changes in the method of allocation of grants-in-aid for public assistance. Gearing the percentage of Federal aid to the economic capacity of the individual States as measured by per capita income would go far toward equalizing the tax burden of a program that would achieve a uniform program in terms of per capita costs, assuming uniform tax efforts.

Analysis of the data presented on page 6 of the September 1955 Social Security Bulletin supports the proposition that the burden is actually heavier in the low-income States. Hence the formula now recommended will help approach full equalization but will not fully achieve it.

The present public assistance aid formula loads the dice against paying a higher sum than that for which there is 80 percent Federal aid, in each of those States in which the burden of sustaining public assistance is still relatively high. Hence shifting to variable-grant-percentage formula for the entire payment would at least give these States an equal opportunity to choose to pay more nearly adequate sums to those in need. Federal law cannot directly increase the fiscal willingness of any State to support a program. However, most States appear willing to tax themselves at reasonable levels for these programs.

Changing the Federal aid formula alone will not produce equalization at the local level. The States have fallen into the same error as the Federal Government in offering aid at a uniform percentage rate to each of their counties, in those cases where local funds are required. The Federal law might very well require that the States distribute aid on an equalization basis, if any local money is used in the public assistance programs.

In the measurement of local fiscal ability, and in identification of areas of really great need, and of many low-income families, we cannot rely upon property assessment data. Official nationwide estimates of county income payments are needed and ought to be provided. It is amazing that as a nation we spend almost \$7 billion through our counties out of State and Federal funds, with only crude attempts at intercounty equalization in those few programs (mainly in school aid) where it is tried at all.

EQUALIZATION THROUGH OTHER GRANT PROGRAMS

It should be recognized that income is not necessarily best measured by the monetary receipts of power to command goods and services, but may also be measured by the flow of goods and services that are in fact received by each person. In these terms, Federal aid for education, highways, and health services, as well as State programs for recreation, library services, etc., are all part of the evalua-

² The Principle of Equalization Applied to the Allocation of Grants-in-Aid, Ph. D. thesis by author, University of Wisconsin 1947, at p. 45. Also printed as Bureau memorandum No. 66, Bureau of Research and Statistics, Social Security Administration; see p. 30-33.

tion of the lot of the low-income families. If the other Federal grants were also to be made more nearly equalizing in their impact, and were also to require intrastate equalization as part of the price of Federal aid, the change would clearly help to remedy the low-income situation.

It should be clear, however, that no shift in the patterns used in paying out grants-in-aid is going to equalize income, by itself. I would repeat my earlier conclusions: "Even if Federal grants should be increased to the point where they equal 1 or 2 percent of the national income, however, equalization in the allocation of grants will not effectuate substantial equalization of income. In the process of working toward equalization of certain governmental services, disparities in income will be reduced, but they neither should nor will be eliminated."³

BETTER HEALTH FOR LOW-INCOME FAMILIES

Health is only partly a social-security problem. Good health depends far more fundamentally upon having an adequate diet, which is a function of education as well as of income; and upon proper sanitation, both personal and community. It also requires a healthy mental and emotional outlook, which has little relationship to income. We protect health against infectious diseases largely through public health activity, for every level of income.

Preventive care, through checkups, and actual medical care (not just in the hospital) represents the area still outside of our social-security program, although it lay within the assignment and report of the 1935 Committee on Economic Security.

The limits of present health insurances are adequately detailed in the staff report to the Senate Committee on Labor and Public Welfare of the 82d Congress (S. Rept. 359). Comprehensive medical care through group practice insurance plans offers a fine answer, already in use among some middle-income groups. For the low-income groups, however, such plans are dependent either upon some form of subsidy, or upon a national system of insurance that is financed through some proportional type of wage or income tax.

As an immediate step, further Federal encouragement to the formation of local group practice health insurance plans may be a prudent way to gain further experience in a very complex and supercharged area of public policy.

Mr. JOHNSON. I was pleased to hear Dr. Bowen suggest this morning that he would like to see a person able to pool his supplemental annuity rights, because this has been a concern of mine for many years. It seems to me that our failure to provide every working person with his basic security through OASI coverage has led many of them to trade their freedom for a very limited kind of security under special retirement plans.

I may say parenthetically, Senator, that as a State representative this year I tried to offer the 1954 Federal amendments to our State employees in Colorado, and they do not yet recognize that they have given up their freedom to move for a special kind of State security, and they are now prisoners, if I may say so, of the bargain that they made some years ago, and hence we could not extend the law this year.

I would like to see the United States give all governmental employees their basic security through OASI, and provide all of the supplemental annuity benefits which Uncle Sam is now providing in a multitude of programs through a single system of supplemental group annuities also administered by OASI. This would replace the wide variety of civil and military special programs now being run by not only the Federal Government, but by our States and local governments.

A schoolteacher in my county cannot move across the street without changing retirement policies. Opportunities for advancement are disturbed by these features and by failure to pool the supplemental annuity benefits under one master plan.

³ Memorandum No. 66, op. cit., p. 30.

If this technique worked as I think it would work, then I should like to see the same option made available later to union, company, and industrywide plans. Congress will have its hands full solving the problem for governmental plans for some years to come.

To keep OASI benefits from becoming flat at the present ceiling, I would tax the first \$6,000 of earned income, and adjust benefit ceilings accordingly.

The recent Social Security Bulletin shows 44 percent of those who came into benefits last year getting a flat maximum benefit. Clearly, it is time that we recognized that the \$3,000 of 1935 is at least \$6,000 today, and in terms of wage levels perhaps seven to eight thousand dollars.

OASI ought to also become what the House voted it to be in 1950, namely, old-age, survivors, and disability insurance. The restoration of the disabled persons to socially useful lives is one of the greatest services that social security could render, but the present complex of programs is failing to do the job adequately.

By looking to the trust fund to finance not only income maintenance of insured workers with extended disability, but also looking to it to pay for the medical care, prosthetic appliances, and retraining, it is far more likely the whole job will be done. This is more likely to be true if the administration of the program utilizes all of the personnel who are skilled in this task of rehabilitation, and I include in that the VA hospitals who have shown their talent in dealing with veterans. I should like to see the personnel who are recruited be those who have a zeal for the cause.

Turning to unemployment compensation, it ought to have its coverage include all employed persons, and study might well be given to a national plan for income assurance to the self-employed, along the lines used in the GI bill of rights for self-employed GI's.

We now can only cover the employed wage worker, but not even all salary workers. I am not prepared to spell out the details, but I think a study of income assurance for the self-employed may very well be in order for the tenant farmer, for the low-income farm person.

Workers losing their income by reason of temporary illness or disability ought to be covered in all 48 States rather than only in 4. I was pleased to hear Secretary Folsom suggest this morning that he would like to see the extension of something like the New York plan throughout the country, and I would follow the remarks of Mr. Cruikshank by saying that would be done more readily if there is some congressional incentive.

I might add I was a high-school student debating unemployment compensation the year Wisconsin enacted it. At that time we had all the arguments as to why it could not be done. It only took 1 year after the Federal act was passed for 47 States to follow the lead of the 1 State that had the courage that year to adopt unemployment compensation.

A little "incentive," if I may use the word in quotes, helps.

If benefits are to be geared to wage differentials, we ought also to cover the first \$6,000 of earned income for unemployment compensation and raise benefit ceilings accordingly. You will find increasingly that more and more workers are actually drawing the maximum benefits under the appropriate State law, because of the \$3,000 ceiling, and we are changing from a concept of benefits geared to contributions

to the economy and to wage levels, to a flat benefit, because of our failure to adjust for the consequences of inflation since 1935, both at the Federal and State level.

I would have dependents' benefits granted throughout the Nation to deal with the cases of real need among unemployed workers with large families. I believe a stronger and better program would flow from having the employees taxed along with employers and limiting the rate of tax relief flowing from experience rating to some narrower range than now used, along the lines suggested by the Advisory Council on Social Security appointed by Senator Millikin some years ago.

State employment services ought to be encouraged to develop performance standards geared to the effectiveness of placement activity so that each worker is helped to find a job making maximum use of his skills.

I may add that the temptation exists, and is unhappily yielded to, to refer a worker to any job, not necessarily one suited to his talents, and then to deny him benefits if he does not take it; thereby depriving him of the right to benefits, or forcing him to a job for which he is not suited, and the community loses as well as the worker loses by failing to insist on his being placed in his highest and best use.

Our concern, again, is for the community as well as the individual worker.

Turning to public assistance, it is time for a study of the impact of public-assistance patterns on the family, looking to strengthening the family unit. The categorical approach is long out of date, and we have reason to believe that general assistance for needy persons not being under Federal aid tends to distort the programs and family patterns. A poor working father whose income is inadequate for a large family finds in some jurisdictions that if he were "continually absent from the home," his family would then qualify under the aid to dependent children program. As a result he is sometimes tempted to desert, although desertion may be for daylight hours only, but it may also lead to permanent desertion.

I should therefore like to see a study looking toward the preserving and strengthening of the family unit.

The time has come for such a study, and the study might examine the consequences, not only of the easy divorce laws, but of the easy marriage laws, as well. Usefulness of premarriage counsel as well as of marital counseling ought to be explored, the availability of money aids and emphasis on money aids, as was pointed out, often obscures the potentials of better counseling and related welfare services.

I will join with the others here this afternoon in urging that we move from the categorical approach to a unified public-assistance program, in place of these categorical aids, financed through an equalization, variable percentage grants formula, geared to per capita income.

The present formula does indeed encourage at least some States to keep the average grant down to \$25.

Now, as a student of equalization aids, I would point out that they are, in fact, less costly than the techniques we have been using. Had the equalization recommendations made in 1946, for example, been adopted the Federal Government would have saved annually \$150 million, or more, on public assistance. It will be more costly to do it now than it would have been to do at the time of the 1946 change.

I would point out also that equalization is a choice in favor of the small fund, as against the large fund, approach to grants-in-aid. We have the same question in State aid to our local school districts, and when you have a small amount of money relative to total need, if you are to do the job you must do it on an equalization basis or the job will not get done. If you have a large fund you can slop enough money around everywhere so that everybody comes out all right. I didn't know the Federal Government was in that position now, nor has it ever been there, and certainly our State governments are not in that position.

Senator SPARKMAN. You mean of having enough for "slopping it around?"

Mr. JOHNSON. We always have more needs for any appropriation money available than there is money. We are always forced to cut off some worthy program short of its potential.

I am pleased that the present administration joined the previous administration in recommending an equalization formula, and I support such a formula.

I would like to see the residence requirements in the Federal law changed to a uniform and perhaps 6-month maximum residence requirement, rather than the present 5 years. In a country with as much mobility as we have shown in the population since 1940 it seems to me highly appropriate to revise that standard.

To encourage independence and self-reliance among the assistance recipients, and I am afraid we have sometimes tended to pauperize them at present, I would suggest we subtract a sum equal to one-half of any income they may earn, from the amount of assistance granted, in order to encourage them to take jobs, whether it be baby sitting, cutting lawns, or doing other jobs. This is an incentive budgeting technique.

Turning to the States, if they are to provide effective equalization at the county level, I suggest that States which require local financial participation in public assistance be required to use an equalization basis, in turn, in allocating their aid.

I would also say that the ability of the State legislatures to make some of the changes I have here proposed is restricted almost to the point of impossibility until the Federal law is changed. In other words, even though I, as a legislator, might wish to see certain changes in our State laws in Colorado, we are bound by so many Federal requirements on these very points that while we talk about the freedom of the States to move—and there was much discussion this morning of States rights, and I suppose I ought to say a kind words for States rights—the rights are restricted at the present time. I think unduly so, along the lines I have here suggested.

Turning to the problem of medical care for a moment, the Senate staff study a few years ago on the problem of health insurance plans seems to me adequately spells out the limitations which are inherent in these plans. Certainly it shows that the low-income groups are left out of most health insurance plans.

Comprehensive medical care for them through some form of group practice and prepayment plan, apparently, will require that a direct subsidy, or the extension of social insurance, or possibly something like Senator Taft's Federal aid for the State plans for the medically needy.

In the short run, however, I think further encouragement to local comprehensive prepayment plans would continue to build up a body of useful experience from which we might move forward.

These are the high points, Senator.

Senator SPARKMAN. Thank you very much, Mr. Johnson.

Mr. Lester.

STATEMENT OF RICHARD A. LESTER, PROFESSOR OF ECONOMICS, PRINCETON UNIVERSITY

Mr. LESTER. Mr. Chairman, I am pleased to be here. My associates have made a number of the points that I would have made. I prepared a paper, but I do not want to refer to it. I think if I can make any contribution here now it is to follow up what Mr. Johnson has said, and what you have said, and that is to look at the people we are talking about.

(The complete statement of Mr. Lester is as follows:)

SOCIAL INSURANCE AND THE LOW-INCOME FAMILIES

Richard A. Lester, professor of economics, Princeton University

I welcome the opportunity to appear before this subcommittee, even though I feel rather inexperienced on the general subject for discussion.

Few social scientists have given systematic and thoughtful study to the problem of low-income families and individuals, so that we lack adequate data and well-developed programs.

Material assembled by this committee is an impressive compilation of scattered data. However, with all the resources we have for gathering information, there ought to be much more detailed and comprehensive, up-to-date material with respect to the characteristics of the population with incomes under, say, \$2,000 a year.

The data assembled by Miss Snyder clearly indicate the diversity in this low-income group and, therefore, the need for a variety of short-run and long-range measures for meeting the problem. Any program should be many-sided.

Within the 8,330,000 families and 6,219,000 individuals who had incomes under \$2,000 in 1954, those who were 65 years of age or over represented approximately a third, so that one significant facet of the problem is that of age.

Also agriculture is heavily represented in the 8,330,000, with farm families accounting for roughly one-quarter of the total. And the heads of low-income units are generally relatively deficient in education.

The available data, therefore, clearly indicate that a long-run attack on the low-income problem should include emphasis on more and better education, better provision for old-age income, and some solution for the problem of marginal farms.

In those three areas of emphasis, social insurance would presumably be helpful only for the old-age problem. Extension of old-age and survivors' insurance to 5.7 million farm operators and workers in 1954 should make a significant difference in the long run on the incomes of the aged on the farms.

Examining the data further, it seems likely that the low-income group includes many who are partially or totally disabled for health reasons. And one-seventh of the low-income urban families are broken families, many of whose breadwinners are in the low-wage occupational category of "service workers and laborers."

Minimum-wage determinations may be helpful in the short run for people, especially women, in service occupations. Expansion of collective bargaining in the service industries is a long-run factor that would also help to improve standards of living in those lines.

In thinking about the child dependency problem in such cases as broken families, consideration should be given to the possibility of a program of Federal allowances for children under 18. The financial burden of bringing up children is, of course, being partially met on a relief basis under the present program of aid to dependent children. Any suggestion of children's allowances raises, of course, large problems of equity and administration, but it is well to bear in mind that England and Canada have such programs, and we may come to it too as the cost of raising children increases.

With respect to the permanently and totally disabled, social insurance could make a significant contribution by including provision for disability benefits under old-age and survivors' insurance. The bill passed by the House in the last session makes a start in that direction by providing for benefits in such cases beginning at age 50 under the OASI program. Of course, a benefit program is no substitute for rehabilitation programs to improve the productivity of the disabled.

According to the statistics, the unemployed heads of families, with incomes under \$2,000, represent 388,000 families or about 5.8 percent of the 6,740,000 families in that income category with the head of the family in the labor force. That unemployment ratio, although not remarkably large for the year 1954, is of some significance.

Our unemployment compensation system is inadequate. Its inadequacy is especially acute for those wage earners with wages above, say, \$60 a week. For the low-income groups, the inadequacy is primarily in the duration of benefits, because only 5 States provide for a uniform duration of as much as 26 weeks for total unemployment.

In the foregoing remarks the parts that have implications for social insurance concern mainly the provision for the aged and disabled under old-age and survivors' insurance and more uniform duration of benefits under unemployment compensation.

Furthermore, filling the gaps in our programs of social insurance undoubtedly would help to remedy some of the difficulties of low-income families. I have in mind (1) programs like compensation for wage loss during temporary disability such as we have in four States, including my own State of New Jersey, and (2) group protection for the costs of medical care, including some arrangement for insurance against major medical expenses.

In addition, in my judgment there should be some automatic arrangements for adjustment of benefit levels with changes in the cost of living and in wage levels. That is especially needed for workmen's compensation where current benefits, in cases of total disability, may be governed by wage levels that prevailed two or more decades ago. How can a disabled man and his family live today on half to two-thirds of the wages he was being paid when his accident occurred prior to World War II? In addition, most States have maximum limits on the amounts that can be drawn under workmen's compensation, after which the disabled man and his family are left unprotected. Workmen's compensation is an area of social insurance badly needing reexamination and integration with other programs, especially old-age and survivors' insurance.

With respect to social insurance, the Federal Government would seem to have responsibility for (1) providing the greatest feasible coverage and adequate benefits under old-age and survivors' insurance, (2) encouraging the spread of social insurance to cover permanent and total disability and temporary disability, and (3) assuring the adequacy of unemployment compensation benefits in view of the fact that the Federal tax is offset by a State unemployment tax.

Partly the role of the Federal Government should be in providing leadership by such means as a study of the facts and gaps and a formulation of the needs and programs of social insurance to meet them. Indeed, we in this country ought now to have a comprehensive review of all our social insurance programs to find out exactly where they are inadequate, where they are inconsistent with one another, or where they tend to overlap or duplicate.

The low-income problem should be viewed as a dynamic one. This type of problem may well increase in the future with the increase in the aged and with the tendency, because of such factors as seniority, promotion from within the company, on-the-job training, and benefits that vary with length of service, to have workers tie up to a single company and remain with that company during their working lives.

As this country's productivity and living standards generally increase, the Federal Government does have an interest in making certain that various elements in the population participate in the increase. That is vitally important from the viewpoint of conservation of the Nation's human resources. For example, minimum levels of living are desirable so that children can remain in school and enjoy the proper care and attention and so that adults may not suffer the vicious circle of poverty-breeding conditions that perpetuate poverty.

Social insurance is a method of sharing risks that has a number of advantages for those who are affected by such risks. It provides a timely cushion and tends to prevent families from being pushed down into a vicious spiral of poverty begetting poverty, by assuring some minimum level of living during the period when the worker and his family are experiencing loss of income or heavy expense because of an accident or some other interruption of employment.

Minimum levels of income under social insurance do raise questions of worker incentive, but this factor in my judgment has tended to be exaggerated. We already have States that provide, in some cases, as much as 90 percent or more of normal earnings for persons on layoff or who are disemployed. The fact of the matter is that families accustomed to a low income feel acutely any reduction in that income.

The costs to society that flow from unmet needs of low-income families and individuals are, of course, incalculable. I refer not only to direct costs such as crime and institutional care but also to losses of contributions to the Nation's output up to the full potentialities of the person.

From a social-cost viewpoint, social insurances are generally a good investment. Coverage limits are largely due to administrative difficulties. The level of benefits should be related to the level of wages, not only from an incentive viewpoint but also for social and moral reasons. And, from a social-cost view, remedial efforts and vocational rehabilitation expenses should be extended at least to the point where the cost is as great as the discounted gain to society.

The suggestions set forth above can be summarized as follows:

1. Have a comprehensive study made of the deficiencies and inadequacies in our present social insurances, including gaps and integration of programs.
2. Extend old-age and survivors' insurance to cover total and permanent disability.
3. Provide Federal standards for unemployment benefits.
4. Provide social-insurance coverage for temporary disability and encourage some financial sharing of the risk of medical care.
5. Consider arrangements for automatic adjustment of social-insurance benefits (especially dollar limits) to correspond with wage level changes.
6. Consider children's allowances, especially for low-income families.

Mr. LESTER. I was a little disturbed in listening to the talk this morning of my good friend Secretary Folsom, because it seemed to me he was talking mainly about the high-wage workers like the people at Eastman Kodak Co., and not much about the low-income group. I don't blame him for that. He has spent most of his life in that business, but when you are talking about catastrophic insurance, you are talking about a small group at the top of the wage-earner category. He says it covers 2 million people. We have been looking into catastrophic insurance at Princeton University, and it looks as though it is pretty expensive for us at the present time, although the costs have been going down, and going down considerably.

If you get down into these groups with incomes of \$2,000 or less, I just think it would be impossible for them to pay for it even on a group basis at rates of say \$75 to \$85 a year.

Now, the same, on much less severe scale, is true of most of the private company plans—pension plans, health and welfare plans, etc. They cover together a maximum of 12 million people out of our work force of some 65 million, and so if you look over the statistics that are prepared by your staff—and I want to join Mr. Hohaus in saying what an impressive document your staff has compiled—you are struck, I think, by the fact that half of the people with incomes under \$2,000 are not in the labor force at all. You are struck by the fact that some 4 million people who are disabled are outside of institutions, and presumably are in this half of the group that are not in the labor force. You are also struck by the fact that at least in urban communities, the broken families represent one-seventh of the group.

I would say that despite all the hard work that your staff has done, as a professor, of course, I am a little desirous of even more information. It seems to me that we ought to know more in a comprehensive way about these people than we do. What we have here are scattered surveys of different parts, but I would like to see something which would put them all together. So the first plea I would make is if

possible that someone make a real study, the census or some other group, and find out exactly who these people are, how they are divided, and what proportions in different groups and categories.

Secondly, it seems to me you must be puzzled a little bit if you have not followed the detailed social-security plans by the variety of them and the complications of them. We have had workmen's compensation for half a century; we have had the railroad programs separate, we have had State programs, we have had State-Federal programs, and we have had Federal programs. I think that it is now time for us really to make sort of a comprehensive study of our social insurances in this country, not exactly, perhaps, after the pattern of the Beveridge plan or the Marsh plan in Canada, but it seems we have duplication and many gaps, as Mr. Cruikshank has indicated. I think in terms of my own State, where a private group a couple of years ago made a study of what happens to the people who were permanently and totally disabled under workmen's compensation prior to World War II. As you know, their benefits were based on the wage level at that time, and that is what they are based on today, if they are still drawing benefits, yet the wage level then was less than half what it is today. Consequently, their benefits are completely inadequate.

Therefore, if we go into permanent and total disability in Federal old-age and survivors insurance there ought to be some integration of workmen's compensation with that. It seems to me we may have reached a point where we ought to take more of a comprehensive look at the various kinds of social insurance we have and see where the gaps are, see if we are duplicating, and see where improvements should be made.

When it comes to the State programs, I think, as Mr. Johnson has very well indicated, and the thing that it seems to me Secretary Folsom's talk missed, is the fact that you have this interstate competition for industry. I do not need to emphasize that here, I presume, before this committee, but take unemployment compensation. We started out taxing payrolls, all payrolls—not up to \$3,000 but all of them, 2.7 percent in the States. We are now down to an average tax of about 1.2 percent on the first \$3,000, which excludes about one-third of all payrolls. Thus, the burden is actually about one-third of what it was initially. Consequently, there is interstate competition for industry through lowering State unemployment taxes, and that kind of competition automatically puts a check on benefits.

Now, I feel personally that if the Federal Government says to the States "We have levied a Federal tax, you can offset 90 percent of it," then the Federal Government has some obligation on the benefit side, which represents the main purpose of the program. Under some State laws, you can offset 90 percent of the Federal tax by complete exemption of the firm from the State tax.

If the Federal Government permits such offset credit for State tax reductions it ought to be able to say something about the kind of benefit programs that the States should have in order to permit such Federal tax credits, at least in terms of ceilings or the proportion of normal income that benefits should replace, so that you do not have the situation that Mr. Cruikshank has indicated, where a very small fraction of a person's normal wages are replaced by unemployment compensation.

The emphasis has been too much, it seems to me, in some of these plans on the saving of taxes for the employer, and not enough on what happens to the beneficiary. That is, it seems to me, the primary purpose of the program has been forgotten.

Now, if you look at these people under \$2,000 in terms of the figures that have been compiled by the staff, you are impressed with how much of the job has to be done by old-age and survivors insurance and a program of total and permanent disability insurance. Both of them operate on a fairly long-run basis because you have to get the people under coverage for a considerable period of time before they are eligible for benefits. You cannot do so much with those who are now 65 and over. You have to develop the program and get people under it. That is one reason that a start needs to be made on permanent and total disability now.

With respect to temporary disability, I am in one of the States that has a temporary disability program, but there are only 4 of them. There has been no change in that situation over the past 6 years, despite all kinds of urging, and I do not think that Secretary Folsom offered more than a hope that by passing a law in the District of Columbia we will somehow get a spread of that program to some other States. It has not happened so far, and I do not think there is any reason to believe that it will. Certainly most of the States would not consider the District of Columbia particularly representative or a pattern-setter for them.

Now, I have said that with respect to unemployment compensation it seems to me we need some kind of Federal standards, in terms of benefits. When it comes to temporary disability, it seems to me that we will also have to have some kind of Federal encouragement if you are going to get any real spread of that particular program.

In my State it got in partly because we had employee contributions under the unemployment compensation.

I think also, if we are going to have continued improvements in living standards and any further tendency toward price inflation, that we ought to think perhaps in terms of some kind of automatic arrangements for improving benefits. In the States, given this interstate competition for reducing taxes, most State legislatures meeting only every other year, and the kinds of pressures on State legislatures during the brief period that some of them meet, it is very difficult to get these benefit levels adjusted properly to changes in wage levels. Consequently, as has been indicated, whereas we started out with a system of unemployment compensation in which the State benefit ceilings averaged two-thirds of the average wages in covered employment, in the States in recent years benefit maximums have averaged between 40 and 45 percent of wages in covered employment. Consequently we are not replacing as high a proportion of the wages lost by those who become unemployed as we did in the late thirties. Although there have been gradual increases in benefit maximums, those increases in the maximums have fallen way behind the increases in the wage levels in covered employment.

One State, I believe Utah, has written into its law this year an arrangement whereby it will automatically each year raise its benefit levels in line with the increase in wage levels in that State. I think that is worth consideration in other States, because it does give you some automatic adjustment.

Finally, I am going to throw out what some people may think is a wild idea, and that is, if part of our problem here, as the statistics seem to indicate, is that the lower income families tend to have more children and you have this problem of broken families, I am not sure but that we ought to consider seriously what is called family allowances, or what I prefer to call children's allowances. As you know, Britain and Canada have that kind of a program. If we put the Canadian program in this country I think it is estimated it would cost us around \$4 billion a year, so it is not a very cheap program. Nevertheless, as a parent, I am particularly aware of the cost of raising children at the present time, and I feel that we should investigate very seriously the possibilities of a program of children allowances or family allowances, whatever you want to call it. I think some group in this country ought to be making a study of how it is working out in Canada, in England, and a great many other countries where they have this kind of program.

Thank you. I think that is all I have.

Senator SPARKMAN. You probably know Senator Neuberger introduced a resolution to provide such a study.

Mr. LESTER. Yes; he published an article on the Canadian program a while ago in the Reporter magazine.

Mr. SIMPSON. Senator, while I have not any experience with it, we are backed up to the Province of Quebec in my part of the world, and I know something about family allowances. Of course, the amount of payment is very small; it would be so considered in this country, anyway, about \$6 a month. It may have been increased.

Mr. LESTER. It varies with the age of the children.

Mr. SIMPSON. That is right.

Senator SPARKMAN. Is that \$6 or \$7 per child?

Mr. SIMPSON. Yes; something like that.

Senator SPARKMAN. Per month?

Mr. SIMPSON. Per month.

Senator SPARKMAN. I would like to have that for my tenant.

Mr. SIMPSON. That is what I was thinking, Senator.

Senator, if your tenant should desert his family they would get aid to dependent children.

Senator SPARKMAN. Don't start talking of that possibility.

Mr. SIMPSON. Considering some of the predictions on what family allowances would do if everybody raised more children, I do not think it would encourage people having more children.

Senator SPARKMAN. You don't have to have encouragement.

Mr. SIMPSON. I will accept that.

Mr. LESTER. At least not that kind of encouragement.

Mr. SIMPSON. But it has resulted, I think, in a better level of assistance for the families, which they pay to every family, regardless of need, if you apply for it. A millionaire's child can get it just as well as a poor farmer who has 12 children and is going to have another one like in your case, but it has resulted in a better standard of living, and a better standard of schooling. That is one of the things that I think has come out of it. It is not as crazy as some think it is, or as it sounded when it started.

Mr. JOHNSON. On page 53 your staff points out that families with 3 or more children in 1954 constituted only 8 percent of all families, but they had 54 percent of the country's children. The case

for family allowances, of course, turns on that kind of given statistics. At any given time one-fifth or one-sixth of the wage earners are carrying one-half or more of the family support.

I have been amused by this discussion of family allowances as though it was some new thing. Here in the United States we have provided family allowances for, I would say, between a half and two-thirds of all families. I receive one, as do most of you. My salary went up \$10 some 4 years ago on the birth of my last child when I filed my change in my withholding.

For those of us whose income includes more than \$600 per person in the family, there is a family allowance program now, starting at \$10 a month, and if you are rich enough, going up to \$40 a month per child. I would suggest that if we are interested in sticking within the American and United States framework of this, rather than Canadian framework, we continue along the same lines by giving each worker whose withholding form shows a greater allowance than he receives, the tax value which he doesn't get to utilize. This would have benefits of providing an automatic refund for the man whose taxes are overpaid, in any given year, by irregular income and unemployment, and it would extend the value of the family allowance program now in effect at the same rates, down into lower income portion, which you are studying. If a worker, for example, did not file a return adequate to use up the allowance which is available to him, I think all we have to do is, not to introduce family allowances, but to extend them along the lines of the logic which has been in force since the first income-tax laws were passed by the United States some 40 years ago.

Mrs. WINSTON. There is another face to this, too. If we had a more flexible aid to dependent children program, or if we had a more comprehensive program of public assistance, we would pick up at the lower income levels on those families which need supplementation.

Mr. CRUIKSHANK. I am very interested in what Dr. Johnson just said, as well as I was in the other things that he pointed out during his summary presentation.

Any study, such as Dr. Lester proposed, I think has got to include what we are already doing. Personally I always get a little out of patience with some people who are always trying to say that America is behind in all these things. In my field of social security, for example, my European friends are saying, "We had social security in England in 1911. You waited until 1935," and all that. I don't think that is true. I think it is because we have a kind of unique way of approaching some of these problems, just as Dr. Johnson said, on family allowance. We have it, but under some other guise, we just don't call it that.

We had old age and survivors insurance and unemployment insurance, I submit, beginning in 1862, with the beginning of the Homestead Act. When this country made the decision that the resources of the Nation, which then existed largely in land, and not money—we were a debtor nation—should be given, not to large corporate enterprise, but divided up and allocated in family-sized units, farm units, built on family needs and family ability to produce. After that see how people provided for their old age by staking out those claims, which was a utilization of the national resource, and how waves of unemployment were absorbed by people moving westward

and staking out those claims. We dedicated in 1862 our national wealth to the underwriting of family security, but we did it in a unique, American way.

Senator SPARKMAN. Any further comments or discussion by the panel?

Mr. HOHAUS. I would like to——

Mr. LESTER. Mr. Chairman, before we get away from this family-allowance thing, I don't want to throw any cold water on Mr. Johnson's notion, but I am a little afraid it might tend to encourage understatement of incomes for tax purposes and that might be one of your problems, because these people now are not normally under the present income tax, and are not making any reports.

I think you have got an administrative problem and I don't know whether I would like to put it quite in the same terms as was indicated. I think if you are going to put in a family-allowance arrangement, I would prefer to see it available to all and then you can make whatever adjustment you want to make under tax arrangements. That is a personal preference.

Mr. HOHAUS. I would like to light a candle a little bit. There was a reference made by one of the panel members that the great weakness in our old-age structure in private plans is the lack of a vesting provision. I think the picture is far better than many of us realize. We in our shop, and other companies, insure a lot of retirement-annuity plans set up by employers years ago under which employees now have the right, after an employee has terminated service and has met certain service or age conditions, to retain the retirement-annuity credits for the service prior to termination.

Pension plans became more general a few years ago. I think both the unions and employers were faced with first things come first. A certain amount of money was going in those plans and the first and right problem was to take care of the man who is going to retire. Then later as the funds grew, consideration could be given to vested-right provisions. This year, in the automobile industry, the General Motors and Ford plans included a provision so that now a man can leave service after age 40 and 10 years of service and take with him pension credits for service since age 30. I don't think there is any great lack of desire as to vesting provisions. I think wisely, both the parties at the bargaining table have said, "We will move up to that question when and if we are financially able to do so."

Senator SPARKMAN. May I ask right there, to clarify in my own mind: You say, after 10 years he can take with him the credit that he has built up?

Mr. HOHAUS. The provision in the last General Motors arrangement is that a man who leaves GM service after age 40, and has had 10 years of service—I think it is perfectly right not to get into vesting at younger ages or short service—has an absolute right to take, "carry with him on his back," the pension credits that he has earned for service since age 30—e. g., for the last 10 years if he leaves at age 40.

Senator SPARKMAN. Well, the point I want to make is this: Suppose he leaves General Motors in Detroit, we will say, and he goes into some concern in Houston, Tex.

Mr. HOHAUS. When he reaches 65, he will receive from the General Motors pension fund, the pension for the years after age 30 until he

left service. Suppose he left at age 45. He had worked there 15 years. He has standing to his credit a vested pension right to receive pension benefits commencing at age 65, even, I understand, if he goes to Ford or some other competitor in Detroit—he doesn't have to go to Houston.

Senator SPARKMAN. I was a little confused in my thinking. I was thinking probably about the unemployment compensation. I was wondering how he could take and transfer his rights himself, when it was a matter of regulation within the individual States, but you are talking about the pension plan.

Mr. HOHAUS. Yes.

Senator SPARKMAN. In other words, the privately purchased pension plan.

Mr. SIMPSON. Senator, my friend the professor is so far ahead of me on his plans that I hesitate to go back to some of the things that were discussed this morning, but this matter of decentralization of industry and technical advice to industries and communities interested me very much. I think it is a further field. However, what we are experiencing up in the northeast part of the United States is the fact that communities there are hiring all the best experts they can, and the communities are raising all the money they can to build a plant for somebody, and hire somebody to go out and get a new industry into their community, but it has got into a very highly competitive stage. The communities are competing against themselves, and States are competing against each other, and it has really gotten to be quite a racket, if I may use that expression.

Senator SPARKMAN. Aren't you rather of the opinion, though, that it is not the best industries that are susceptible to that?

Mr. SIMPSON. I think—

Senator SPARKMAN. I have seen a great deal in print about communities bringing in or buying plants, so that an industry will move in, but I have seen some of those industries, and in most instances, well, very often they don't stay very long.

Mr. SIMPSON. That is why I said it was a racket. Certain industries are susceptible to that kind of appeal and move in and move out.

Senator SPARKMAN. I think that what we had in mind this morning was not exactly that. Probably it was to steer the communities away from that very thing. I think you will find more and more communities have gotten away from that, and are trying to bring industries in. I think they are advertising all right and publicizing the advantages they possess, but so far as buying property and letting them have it and giving them tax advantages and things of that kind, I think that type of activity is on the decrease.

Mr. CRUIKSHANK. I think that is true, too, although some of it is still going on, and there is some of it that is still significant. There are various types of it. One of them is the thing that Dr. Lester points out. I have seen some of the State circulars put out and they point out, among other things, that they have certain types of labor legislation, that there aren't any problems arising from labor, also that they have lower unemployment-compensation-tax rate. That has actually entered into some of the things and some of them even go so far as to say: "it is very hard to get unemployment compensation in this State so you won't have any problem with your workers."

There are other areas that seem to me to be certain legitimate areas in competition. When some of the States went together and harnessed the Tennessee Valley and got some very advantageous power rates, it would seem to me if I were a businessman I would look at those power rates and compare them with what has happened in New England, and I believe legitimately take into account the effect of the decisions that were made in those States to harness the rivers down there and control the floods as against the decisions that were made in some of the New England States, just to let them alone and let nature take its course. I recall that when I lived in New England, one State had a large Federal project to harness the natural water resources there. They couldn't stop the Federal Government any other way, so that State legislature met and said that no electric power generated within the borders of this State can be sent beyond the confines of this State. That made it so uneconomical that the Federal Government had to withdraw its support. When a State makes a decision like that, it has to pay the cost of it, and one of the costs is that it is going to lose some of its industries.

Senator SPARKMAN. We could go into a lengthy discussion of that. I believe that State also has the greatest amount of untamed water potential, hydraulic power of any State in the Union. I think a good many people there are hopeful that they are going to change that law.

Mr. JOHNSON. I was going to state that the State planning and development officials met in my city this summer. I was reading their proceedings the other day and I regret to say that I think six States, including my own, passed legislation this year looking toward some kind of State aid to industry. Most of us know from our experience of the thirties that this must be done with great care, to avoid the kind of abuses which have been mentioned, and it may well be that one of the roles which your staff could perform would be to make some studies of the experiences of other communities with various kinds of promotion, because while experience is a good teacher, it is a dear and expensive teacher unless it is somebody else's experience, and I wish you would pull together the experience that is available, because I am afraid one or two of our own communities are being tempted to use the wrong kind of thing. The best statement that I recall hearing on this question of attracting industry was made by a Federal staff man who came out and said that the way to attract industry is to be attractive. The thing for a community or State to do is to create the kind of climate of opinion and law and opportunities that will attract industries there.

As an economist, I am very fearful of hidden-subsidies which distort the natural forces, and yet in the discussion this morning there was no clear putting the finger on the tragic situation, the tragic psychological cost of destroying a community, simply because it has not attracted an industry there. We also have some coal-mining towns, and those people have ties, and this is a community which has values which cannot be measured in dollar terms, and I am all in favor of preserving those community values. But I think the way to do it is not by a shot-in-the-arm technique, but rather by a community evaluation, looking toward doing those things which will in fact make the community attractive.

Senator SPARKMAN. I agree with you, and as a matter of fact that is the point that I tried to get across in the discussion this morning

when I referred to technical assistance, because so many communities lack the know-how for making themselves attractive to industry, I mean that actually they just don't know how to go about it in order to exploit the advantages that they have.

I think industry moves from one place to another, or builds up in one particular area, primarily because of the advantages that it may enjoy in that particular area. For instance, there has been a lot said about industry moving from New England. By the way, it has often been said it moved to the Tennessee Valley. I think the record shows that not a single textile plant has moved to the Tennessee Valley since TVA started. A very many people just don't believe that, but I think that is the truth. Power is an essential element in the textile industry, but it is not primary as it is in chemicals. I think the reason that the textile industry has largely moved to the South, and a great deal of it has been moved to the South, is in order to get near the raw product, coupled with the change that has taken place in recent years in freight rates. I think the freight rate—reconstruction of freight rates—did more than anything else. I had a Connecticut manufacturer of chemicals who was not moving his mill from Connecticut to Alabama, but was putting up a new one in Alabama. He was going to operate both. I said, "How did you happen to come here?" And he said, "Well, I can locate in this place and get by better than I can by transporting my cotton to Connecticut and manufacturing it there, and then having to ship it back into the market for sale."

I said, "How much difference does it make to you for the transportation of your cotton to New England?" And he said, "It makes my raw cotton cost about 2 cents a pound more. I can be down here in the cottonfields and get it 2 cents a pound cheaper than I could in New England."

There was a time when we had freight rate differentials that would have made it profitable for him to do that, but thank goodness they have been largely removed.

Mr. CRUIKSHANK. There has also been a great expansion of the market in your area, so he doesn't have to ship even the finished goods that far.

Senator SPARKMAN. Even if he shifts it to the market that differential is taken away. As a matter of fact, there haven't been many established industries relocating in the TVA area but there have been a great many industries started up there that could take advantage of the local resources; many of them, from Pittsburgh, Detroit, Niagara, and other places, that wanted to expand, have located their new plants there. I think there is a great deal that can be done, rightly done, to help disperse industry as a defense matter, and at the same time to help distressed areas to get a fair share of the industrial development, which is coming. I don't like to think of industry, new industry in those areas as being industries that are picking up, moving from somewhere else. I think that is what you need to watch, an industry that is picking up lock, stock, and barrel and moving, but we are building all the time, growing, expanding. Certainly these areas should be in position to bid for new industry and participate in the expansion and extension.

Mr. JOHNSON. The techniques under discussion this morning, such as rapid amortization, strike me as being techniques which will

encourage location wherever it is best suited to that firm, with that industry, to locate.

Senator SPARKMAN. Somebody would have to pass judgment on it, though.

Mr. JOHNSON. I would prefer that that judgment be passed in the United States Treasury with regard to the whole national economy, than being asked as a legislature, as we were asked in the matter of an hour or an hour and a half in one of the last days of the session, to jam through a bill which creates a situation that you know may very well lead to uneconomical allocation of resources, simply because you know there is a distressed condition and knowing nothing is being done about it. One of the things I hope will emerge early in the next session will be a Federal program which will put the State programs back in perspective. The States have been pressured by the legitimate complaints from distressed areas. Here, of course, we are talking about low income, which lies in unemployment, rather than in nonattachment. The very real unemployment persisting in a community means that something ought to be done. But the States are pressured into techniques, the only techniques available to them, which may have, I think, unfortunate consequences. At least that was the history in the thirties. I repeat my hope that we will find some way of bringing that experience of the thirties together for publication. I don't know whether that can be done, but I hope so.

Miss SNYDER. Senator Sparkman, I would like to say that we shall receive testimony next Tuesday during morning and afternoon hearings on the subject of depressed industrial areas, and also on State and local efforts to rehabilitate them.

Senator SPARKMAN. We have had a study made for us or is being made for us—it isn't completed yet?

Mr. SNYDER. No. The character of that study has changed somewhat. I am not sure how much detail they will bring out on the depressed area question.

Senator SPARKMAN. At any rate, we are interested in it and are trying to do some work right at this time.

I am sorry to have used all the time. I would like for Mr. Bolling to participate in this discussion.

Mr. BOLLING. I have one question, and it is in detail. The whole discussion has been very interesting, but I was shocked by one statement and it displays my ignorance. I assume, Mr. Cruikshank, when you were discussing workmen's compensation, you said 51 percent of the contributions came back in payments, and 49 percent somewhere else. I want to know where the 49 percent goes.

Mr. CRUIKSHANK. We would like to know, too. We know where some of it goes. A lot of it goes in the high insurance premium rates, a lot of it goes to the cost of litigation. Some of it in some areas goes to the cost of administration, but that is not relatively high. That is not a big chunk of it. Actually, that figure is one also that it is hard, you must say, to actually pinpoint down. It is just the best estimate, but it is made by very competent people and students in the field. The most recent study is by Dr. Somers, a man and wife team of Haverford, Pa., and a very comprehensive study of workmen's compensation. After a thorough analysis and study they said the best figure that they could support now was that 51 cents out of the pre-

mium dollar went to benefits, and that also corresponds very closely to spot studies that we have made. And that contrasts with some very remarkable developments that are being made in some neighboring countries. Ontario, Canada, has perhaps today the best workmen's compensation act we have in the country, unless it would be our own Federal Workmen's Compensation Act for the Federal employees, which is a very forward and liberal program. Their rates for employees are lower and benefits are higher. The whole workmen's compensation situation is one that distresses us very much.

Mr. BOLLING. Did these studies reveal that this is a general pattern, or are there some States that are good and some States that are bad?

Mr. CRUIKSHANK. There isn't any State that we feel today is really good. Of course, there are variations as between the States, and that national average, like any average, conceals variations, but, of course, we have some States that are single State funds, like Ohio, where there is no insurance carrier in the State. It is a single State fund. That isn't a clear-cut story, however, even there. Ohio, while it has a very high proportion of the premium dollar going into benefits—I think around 90 cents, as contrasted with the national average, still Ohio also has low benefit standing. We have, the A. F. of L. has since 1908 supported the idea of a single State fund, workmen's compensation, but it isn't at all a clear story with all the arguments on one side, we must admit.

Mr. BOLLING. Are there any good States?

Mr. CRUIKSHANK. Well, of course, as you know, Congressman, that is also relative. There are just some that aren't as bad as others. That is about what we find.

Mr. BOLLING. Thank you. That is all I have, Senator.

Senator SPARKMAN. Dr. Ensley? Dr. Winston?

Mrs. WINSTON. There was one point made by two members of the panel about which I would like to raise a question for the record, please.

Senator SPARKMAN. Excuse me just a minute, please. I would like to announce that the hearings for tomorrow will be presided over by Congressman Bolling. Senator Flanders will not be able to be here. I am sorry that another commitment makes it impossible for me to be here, and Congressman Kelley, as I said this morning, is ill. Congressman Bolling is a member of the full committee and a chairman of one of the subcommittees, but he has agreed to fill in the place for Congressman Kelley while he is away and therefore he will be present and will preside over tomorrow's session. That will be held in the Supreme Court room will it not?

Mr. ENSLEY. The old Supreme Court chamber.

Senator SPARKMAN. At 10 o'clock.

Go ahead, Dr. Winston.

Mrs. WINSTON. There was a point made by two members of the panel that I wouldn't like to just let go by default. I think it is a very tentative assumption that because of the Federal matching ratio States tend to put a lot of people on public assistance at very low grants so they get the benefit of the matching ratio. I was wondering what evidence there is to support that point. I have recently spent some 6 months working with a national committee that went into many facets of public assistance, and we did not build

up any support for that particular approach to public assistance. I know of no evidence.

Senator SPARKMAN. May I say I am glad you brought up that point. I really intended to myself.

I was one of the coauthors of the first, the very first amendment that took that first \$5 a month and then later tacked on another \$5, still later another \$5, wasn't it? Of course, I favored the variable grant long ago and I still think that we ought to have it probably in all Federal grants-in-aid programs. There may be some exceptions but I am rather of the opinion that in most of them we ought to have the variable grant. Even though the system we got was not what we wanted, that is, adding the Federal contribution on an across-the-board basis, I feel that it has done a lot of good, and particularly did I feel—in fact within my own State and I know there must be many other States in the same situation—it is true that my State was not able to come up to the higher level, and it may seem that it has added a great many people at a low level. And, as a matter of fact, it hasn't added all of the people that are eligible by any means. All we were able to do was simply to come part way up the ladder, and it did give us an opportunity to spread it wider, even if thinner. I think that is the answer. I know it is in the case of my State.

Did you want to say something else?

Mrs. WINSTON. No, sir.

Senator SPARKMAN. Does anyone else want to say anything?

Mr. HOHAUS. May the accused defend himself?

Mrs. WINSTON. Mr. Johnson made the same point.

Mr. HOHAUS. I did not make the point that States have abused the matching formula. I said: "Whether or not a State is to any appreciable extent cognizant and ready to avail itself of the built-in incentive to exploitation here illustrated, its presence in the formula constitutes an anomaly which should long since have been removed."

What I am bothered about isn't what happened in the past, but what may happen in the next few years when practically all of our people reaching age 65 will become eligible for Federal old-age insurance benefits. I can see the possibility that a State will begin to rationalize that a man receiving old-age insurance needs five or ten dollars more and by granting him old-age assistance at such a rate can have a lower total cost for the State. I am quarreling with a formula which has a built-in temptation, sooner or later someone is going to succumb to it. I am not objecting to the principle of an ability-to-pay formula, but I am just asking to go back and to restudy the present formula. It was originally on a 50-50 basis. The changes I refer to were taken to meet a crisis. Let us go back to see what has happened and find a better way of handling grants.

Senator SPARKMAN. Aren't you confusing the two programs, or am I confused? You refer now to the old-age insurance. This procedure relates to old-age pensions, doesn't it?

Mr. HOHAUS. No. This variable grant can apply just as much if a particular State wishes to add an OASI recipient to the assistance roll.

Senator SPARKMAN. It seems to me there is a difference, since the old-age insurance is worked out on an actuarial basis. The old-age assistance is simply a grant to the States. One of you said a while

ago, correctly, that the theory, when the law was passed, was that the old-age pension should be a temporary expedient, and would not be needed when the old-age insurance program took full effect.

Now, it hasn't done that as rapidly as we thought, because more people are living to an older age than we expected, but even in spite of that, as time goes on, there certainly should be a decline in the number of old-age pensioners, and an increase in the old-age insurance benefits.

Mrs. WINSTON. Of course, it is related, too, to the size of payments under old-age insurance. If the payments are not adequate to meet subsistence needs, and pay for medical care and hospitalization, we are going to have to continue to supplement a very large proportion of the payments.

Senator SPARKMAN. The point I want to make is that old-age insurance payments are not related to any grant at all, but are tied definitely to a formula which is supposed to be on an actuarial basis. And I should think if Congress ever changed it, it would change the rate, the tax rate which supports it, instead of trying to build up old-age pension payments on top of it.

Mr. HOHAUS. This is a very technical one. This formula applies to the grants that are made, whether or not the person is on old-age insurance. I see no reason why my State of New York, if it wishes to pay another \$10 on top of \$100 old-age insurance, should be permitted to do so and end up paying out more money in total assistance grants but at less cost to the State of New York.

If the formula today applies only to a person who does not receive old-age and survivors insurance, who receives assistance because he is not covered under OASI, a lot of my fears would be removed. I am looking ahead into the future when almost everybody will become entitled to the old-age insurance, so that the present formula, which was adopted as an emergency measure for States which had a low percentage of old-age insurance beneficiaries, is not accidentally and unintentionally applied to a much larger area.

Mr. JOHNSON. I think I follow the argument. I see where I led the discussion astray in my own comments.

To clear that up and come back to the point Mr. Hohaus is making, I was observing that the formula used, two-thirds of 15, three-fourths of 20, and now four-fifths of 25, if you take a look at the average payments being made in low income States, you will find that many of them have kept the actual payment to an aged person in their systems in some of these poorest States, in fact, only a few cents more than \$25, whereas if we had a variable grants program, across the board for the entire \$55, there might be a temptation to make a more nearly adequate payment.

You see what your State gets, Senator, is the same as mine does (although we in Colorado have a peculiar problem which I won't go into), you get \$4 for each 1, up to \$25, but you only get 1 for 1 thereafter.

Senator SPARKMAN. That is right.

Mr. JOHNSON. My point is an equalization program would avoid the temptation to stop the payment at \$25 because it would apply the same percentage ratio across the entire payments.

The special problem which Mr. Hohaus raises is met in part by the administration's recommendations of last year, calling for a variable

grant percentage geared to the per capita income, but adjusted for the percent of the population drawing on OASI benefits. The point will arise, for example, as Mr. Hohaus raises it, in the more tricky question: should we count the total income being guaranteed, or only the payment being granted?

You see, an increasing number of these grants are supplemental payments, but the formula is geared to the average amount of the grants. Mr. Hohaus is pointing out a technical problem which results in as generous aid being given to those who do not need it as to those who do need it, and, of course, most of this would be removed by variable grants, but I had not thought of the technical question which Mr. Hohaus raises.

I certainly did not mean to suggest abuse arising at the time the first McFarland amendment went in that you supported. The agency did check out what had been the impact on recipient rates, and so forth. There is no evidence that the States do abuse the permission granted them. As a matter of fact, recipient rates have kept on falling, and I do hope that the time will come when the only persons drawing this old-age assistance will be those who need supplementation, or those who are so old that even 1954, or 1956, amendments to OASI did not give them a chance to qualify.

Senator SPARKMAN. I may say that I have learned something from what Mr. Hohaus said. I was well aware of the fact that some receive both OASI insurance payments and old-age assistance.

Mr. CRUIKSHANK. Only in some cases.

Mrs. WINSTON. A very small percentage.

Mr. CRUIKSHANK. Very small.

Mr. SIMPSON. Twenty-five percent of our old-age cases are getting OASI, that is, were supplemented in that number of cases, supplementing OASI.

Senator SPARKMAN. Supplementing OASI cases?

Mr. SIMPSON. No, in 25 percent of our old-age assistance cases.

Mr. JOHNSON. There is a very good report on this just out from the Social Security Administration, which goes into this overlapping.

Mr. CRUIKSHANK. It also shows that is a declining figure. It is not increasing, as people contend.

Senator SPARKMAN. It seems to me it would decline.

Mrs. WINSTON. We know the proportion of the public-assistance caseload, for example, that is receiving OASI payments, and we know the proportion of OASI beneficiaries who are receiving public assistance. In the low-income States the amount of overlap is very low.

Mr. JOHNSON. It is less than in the rich States.

Senator SPARKMAN. I can see that it would be, because we have not had enough to go around to those who need it.

Let me say this: I am going to have to leave in a few minutes. I have got to catch a 5:30 plane, and this Washington traffic gets pretty bad, so I must leave by about 4:30.

I just mention that. I don't want to cut off this discussion.

By the way, let me say I am going to ask the staff to make a study of this. I am glad this discussion came up, because I think it is quite relevant, and quite helpful.

Go ahead, Mr. Cruikshank.

Mr. CRUIKSHANK. I have one brief point to make. I think Mr. Hohaus made a reference, I may have misunderstood, but I think he

made a reference to the public-assistance payment representing "increasing generosity on the part of the Government." There, again, I think it has to be pointed out that this is relative. The monthly charts that are shown in the monthly bulletin of social security show that ever since 1950 there has been a gradual decline in the number of people receiving public assistance, old-age assistance payments. That very slight decline, absolutely, represents quite a significant decline, relatively, but also I do not have the figures right here before me now, but about a year ago I made an estimate of the amount of the public-assistance grants proportionate to our national income since we began this program, and it has fallen off very sharply. That is, I do not think we can say this is an overgenerous Government making these public-assistance payments. The number has declined absolutely, relatively in significant terms, and relative to our national income that we have assigned to this area of need, it has fallen off sharply.

Mrs. WINSTON. There is one other point: There are those that think that where we have to supplement OASI, as we have to do to some extent, that we could go back to the 50-50 formula. That would penalize the low-income States because obviously we cannot supplement OASI on that level of matching.

Senator SPARKMAN. It was obviously the reason we built up this formula. I think you will find most of the people from the low-income States were in favor of variable grants, which I think would have been a much better program, but the one worked out was a second best.

Mr. HOHAUS. I do not want to pursue the matter further except that my feeling is like yours. I think the record and study will show that the variable grants would have been a better arrangement to accomplish the desired objective.

Senator SPARKMAN. I may say that if later you have anything to add to this discussion, or any point in the discussion, or any figures that you submit, we will be very glad to have them.

Miss SNYDER. May I make one comment?

The staff report does include some of the statistics that Mr. Cruikshank was talking about, the relative proportion of people getting public assistance, and OASI, on page 97.

Mr. JOHNSON. Where the two are shown together, at the bottom of the table there.

Mr. HOHAUS. I forget whether it is in your report or the Kestenbaum report where data are shown by States. The causes for some interstate comparative results are not self-evident.

Mrs. WINSTON. There are good explanations, but I do not think this one is it.

Mr. JOHNSON. There is no question but there are differences in attitudes of legislatures and administrators, and for that matter chambers of commerce throughout the country. Our own State, Colorado, has a peculiar constitutional problem which accounts for its peculiarities on this program, but there is a sharp difference between Middle Atlantic States and New England States, and yet the Massachusetts area sits off sort of by itself. The same thing happens as you go west or go south. There is some infection from one State to another, but it is not necessarily so.

The interstate comparisons will throw you every time, and you have to look actually at the peculiar histories of the States sometimes for those explanations. They do not lie in economic matters. They lie in political and personality backgrounds.

Senator SPARKMAN. Let me say I have some materials prepared for use by the Bureau of Employment Security which summarize the 1954 changes the States have made in their unemployment compensation acts. You heard some reference to it this morning, and I believe Mr. Folsom said they all represented improvements. I will not read it, but, without objection, I will ask it be included in the record.

(The material referred to is as follows:)

DEPARTMENT OF LABOR,
BUREAU OF EMPLOYMENT SECURITY,
UNITED STATES EMPLOYMENT SERVICE,
UNEMPLOYMENT INSURANCE SERVICE,
Washington 25, D. C., November 17, 1955.

MISS ELEANOR SNYDER,
*Staff Economist, Joint Committee on the Economic Report,
Senate Office Building, Washington 25, D. C.*

DEAR MISS SNYDER: In accordance with your request to Mr. Booth, we have sent to you by special messenger this morning a copy of an article to appear in the November 1955 issue of the Labor Market and Employment Security on Effect of 1955 Changes in State Unemployment Insurance Laws on Benefit Rights of Workers. We have also attached a chart containing benefit provisions of the State unemployment insurance laws, reflecting 1955 changes.

I am happy to make this information available to you for insertion in the record of the hearings which your committee is now conducting.

Please let us know if we can be of further assistance to you.

Sincerely yours,

FOREST L. MILLER,
Assistant Director.

EFFECT OF 1955 CHANGES IN STATE UNEMPLOYMENT INSURANCE LAWS ON BENEFIT RIGHTS OF WORKERS¹

This year amendments to the State unemployment insurance laws were considered in the legislatures of 47 States (including Alaska and Hawaii) and in the Federal Congress for the District of Columbia. The Legislatures of Kentucky and Virginia did not meet in 1955 and the Louisiana session was limited to budget and fiscal matters. All except two of the States (New Mexico and West Virginia) and the Federal Congress for the District of Columbia made some change in their unemployment insurance law. More changes in basic weekly benefits and in coverage were enacted than in any prior legislative year.

COVERAGE

As was to be expected, in view of the January 1, 1956, effective date for extended Federal Unemployment Tax Act coverage, 20 States covering employers of 6 or 8 workers amended their laws to cover firms employing 4 or more workers. Four States which already covered employers of 4 or more broadened coverage of their laws beyond that of the Federal act; Rhode Island to employers of 1 at any time, Oregon to 2 in 6 weeks in 1 quarter, Connecticut to 3 in 13 weeks, and New York to 3 at any time during 1956 and 2 at any time during subsequent years. There are now 23 States which cover firms with less than 4 workers, 18, of them, firms with 1 worker.

Rhode Island was the only State during this year's legislative sessions to enact coverage for State and local government employment. Mandatory coverage was provided for employees of the State and elective coverage for employees of political subdivisions.

New York, which covers most State employees on a mandatory basis and permits the coverage of most employees of political subdivisions on an elective basis,

¹ Prepared by Clara T. Sorenson, Division of Program and Legislation, Unemployment Insurance Service, Bureau of Employment Security, Department of Labor.

extended coverage to some of the services previously excluded. Oregon covered employees of utility districts. Alaska extended coverage to employees of the Territory on an elective basis. California provided elective coverage for credit unions organized under the Federal Credit Union Act.

New York, the only State which covers domestic workers, broadened this coverage from households which employ 4 such workers in 15 days to those employing 4 at any time.

QUALIFYING REQUIREMENTS

All State laws contain qualifying requirements, the purpose of which is to limit benefit payments to workers who are genuinely attached to the covered labor force. To be entitled to benefits, a worker must have earned at least a specified amount of wages or have worked in at least a minimum number of weeks, or both, within his base period. Nineteen States amended the qualifying requirements of their laws in 1955. With the exception of the amendments in four States, all of the changes were such that higher earnings or earnings spread over a longer period are required for claimants to be eligible for benefits.

Alaska changed from a minimum of \$300 in the base period to $1\frac{1}{4}$ times high-quarter wages and a minimum of \$450 in the base period. The Oregon requirement was changed from a minimum of \$400 in the base period to $1\frac{1}{2}$ times the high quarter earnings or 37 times the weekly benefit amount, whichever is the lesser, with at least \$700 in the base period. Both Alaska and Oregon also deleted their seasonal requirements. South Carolina changed their formula from 30 times the weekly benefit amount with \$100 in the high quarter to $1\frac{1}{2}$ times high-quarter wages but not less than \$240 in the base period and \$120 in the high quarter.

North Dakota and Pennsylvania, with the earnings requirement expressed as a multiple of the weekly benefit amount, increased the multiple. Pennsylvania, however, added an unlimited stepdown provision so that if a claimant's base-period wages are less than the amount needed to qualify for a weekly benefit amount corresponding to the claimant's high-quarter wage but are enough to qualify for any benefit amount, this lower amount becomes the weekly benefit amount. Vermont also added a stepdown provision but limited it to the next lower benefit amount. South Carolina deleted such a provision.

Alabama deleted the requirement that a claimant must have worked less than 160 hours and earned less than \$180 during the 3 weeks immediately preceding unemployment.

The New Hampshire and Washington increase and the Maine decrease in qualifying wages resulted from an increase in the minimum weekly benefit amount in the first 2 States and a decrease in Maine. Florida increased the minimum weekly benefit amount and also decreased the multiple of the weekly benefit required to qualify for the first 3 brackets of their benefit schedule.

Five States (California, Illinois, Kansas, Minnesota and Texas) increased the amount of earnings required to qualify for benefits and Nebraska retained the same qualifying wage amount but modified the manner in which such wages must be distributed in the base period. Utah changed from requiring an amount equal to 16 percent of the average State annual wage and 19 weeks of employment to requiring \$400 and 19 weeks of employment.

Kansas and Tennessee also made it more difficult for some claimants to qualify by requiring earnings since the beginning of the preceding benefit year; Kansas earnings equal to 8 times the weekly benefit amount and Tennessee earnings equal to 4 times the weekly benefit amount.

MAXIMUM WEEKLY BENEFIT AMOUNT

The emphasis in State legislatures this year, as in recent years, continued to be on increasing the maximum weekly benefit amount rather than extending the duration of benefits. Thirty-two States (including Alaska and Hawaii), more than in any prior legislative year, increased the basic maximum weekly benefit by amounts ranging from \$1 to \$10. In 3 States and the Territories of Alaska and Hawaii the increase was \$10; in 11 States it varied from \$5 to \$8 and in the remaining 16 States, it was only \$1 to \$4. Two other States which did not increase the basic maximum weekly benefit amount increased the maximum augmented benefit for claimants with dependents.

Maximum basic weekly benefit amounts now range from \$24 in Virginia to \$36 in New York and Wisconsin and \$45 in Alaska. Prior to the 1955 legislative sessions the range was from \$20 to \$35. Sixteen States with 51.2 percent of the 1954 covered workers now have a basic weekly maximum of over \$30. Prior to the 1955 legislative sessions 2 States with only 2.3 percent of the covered workers

had maximums of over \$30. Sixteen other States with 18.5 percent of the covered workers now have a \$30 maximum. Thus, as a result of the changes enacted in the 1955 legislative sessions 32 States with 69.7 percent of the covered workers have a maximum of \$30 or more, as compared with 20 States with 59.9 percent of the covered workers prior to the 1955 sessions. It appears significant that the trend toward weekly benefit maximums of over \$30 has occurred in the 16 States which account for over one-half of the covered workers.

Following is a tabulation of maximum weekly benefit amounts by number of States:

Maximum basic weekly benefit amount:	No. of States
Over \$35 -----	3
\$35 -----	7
\$33 -----	4
\$32 -----	2
\$30 -----	16
\$28 -----	7
\$26 -----	6
\$25 -----	5
Below \$25 -----	1

Even with the higher maximum weekly benefit amounts enacted during this year's legislative sessions, the maximum weekly benefit amount is 50 percent or more of the average weekly wage in only 7 States with 12.8 percent of the covered workers; 40-49 percent in 30 States with 60.9 percent of the covered workers and below 40 percent in 14 States with 26.3 percent of the covered workers.

DEPENDENTS' ALLOWANCES

Illinois added what is in effect dependents' allowances for claimants whose weekly benefit amount exceeds \$28. Arizona repealed its dependents' allowances provision. Alaska decreased by \$10 the maximum allowance for claimants with dependents. Connecticut and Ohio increased both the basic and augmented weekly benefit amount. The Ohio increase in the maximum augmented weekly benefit amount was from \$35 to \$39. The Connecticut increase in the augmented benefit from \$45 to \$52 results from the limitation in the Connecticut law of maximum dependents' allowances to one-half the basic weekly benefit amount. Michigan and North Dakota did not increase the basic maximum weekly benefit amount but did increase the maximum augmented benefit payable to claimants with dependents; Michigan from \$42 to \$54 and North Dakota from \$32 to \$35. In North Dakota no additional high-quarter wages are required to receive the \$2 increase in the augmented maximum. In Michigan, however, the average weekly wage necessary to receive the additional \$12 was increased from \$80 to \$106. Nevada amended its law to provide the same allowance for the first dependent as for other dependents but made no change in the basic or augmented weekly benefit amount.

MINIMUM WEEKLY BENEFIT AMOUNT

Eight of the 32 States which increased the maximum basic weekly benefit amount also increased the minimum weekly benefit by amounts varying from \$1 to \$7, and 1 State decreased its minimum amount by \$3. The minimum weekly benefits in State laws vary from 50 cents (payable in \$5 amounts if the computed rate is less than \$5) to \$17. Twenty States now provide a minimum basic weekly benefit of \$10 and 3 others a higher minimum.

COMPUTATION OF BENEFIT AMOUNTS

In most of the States the formula for determining the weekly benefit amount was merely extended up to the new maximum. Oregon and Pennsylvania, however, made significant changes in their benefit formula. Oregon changed from an annual wage formula in which benefits are computed as a percentage of annual wages to a high-quarter formula which bases benefits on wages in the quarter of the base period in which wages are highest. The fraction adopted by Oregon was one twenty-sixth of high-quarter wages. Also of significance was the Pennsylvania change from one twenty-fifth of higher-quarter wages to the greater of one twenty-fifth of high-quarter wages or 50 percent of full-time weekly wages.

Ten States modified their existing benefit formulas. As a result all claimants eligible for benefit amounts below the maximum will receive higher benefits in 2

States but only some claimants in 5 other States. Two other States lowered benefits for most claimants eligible for benefit amounts below the maximum. In another State the change in the weighted schedule lowered benefits for some claimants and increased them for others.

PARTIAL EARNINGS ALLOWANCE

Nine States increased the amount of earnings disregarded in computing the weekly benefit for partial unemployment. Twenty States now provide an earnings allowance in terms of dollars which is uniform for all claimants; the amount of the allowance varies from \$2 in 8 States to \$15 in 1 State. Six State law express the allowance as a fraction of the weekly benefit amount varying from one-fifth to one-third of the weekly benefit amount. Four States provide that the full weekly benefit is paid if the wages earned are less than one-half of the weekly benefit amount and one-half of the weekly benefit is paid if the wages earned are as much as one-half but less than the full weekly benefit amount.

WAITING PERIOD

The 2 remaining States which required a waiting period of 2 weeks reduced the waiting period to 1 week. Texas eliminated the waiting period. Four States now require no waiting period.

MAXIMUM WEEKS OF DURATION

Seven States with 12.2 percent of the covered workers increased maximum weeks of duration by 2 to 6 weeks. Significant was the Pennsylvania change from a 26-week variable period to a 30-week uniform period. Thus, Pennsylvania becomes the first State to allow 30 weeks of benefits for all eligible claimants. Five other States now provide 26 weeks of benefits for all eligible claimants. In 20 other States some claimants may receive benefits for a maximum period of 26 weeks and in another State for 26½ weeks. The 27 States with a maximum potential duration of 26 weeks or more account for 73.3 percent of the covered workers.

Delaware changed from a duration fraction of one-quarter of base period wages to 26 percent thereby increasing duration for claimants. Illinois decreased the percentages used in its weighted duration schedule and also provided that claimants with base period wages of \$2,975 or more are eligible for the maximum duration of 26 weeks. Texas increased the duration obtainable for all claimants, except those eligible for maximum duration, by increasing the duration fraction from one-fifth to one-quarter of base-period wages. South Carolina changed from a uniform 18-week duration period to a variable period with a minimum of 10 and a maximum of 22 weeks and a duration fraction of one-third of base-pay wages. Iowa amended its law to allow base-period wages up to \$600, previously \$450, per quarter to be used in computing duration.

Ten States increased and 4 decreased the minimum weeks of duration for claimants eligible for the minimum weekly benefit amount.

BASE PERIOD AND BENEFIT YEAR

Alaska and Illinois amended their laws to change both the base period and benefit year from a uniform to an individual basis, Alaska effective July 1, 1956 and Illinois effective April 1, 1956. Only 7 States laws now provide a uniform base period and benefit year. Six other States made minor or technical changes in their base period or benefit-year definitions.

AVAILABILITY

Four States made some change in the availability provision. Delaware added a proviso to their availability provision so that claimants who become ill or disabled after filing a claim and registering for work are not ineligible for benefits if no suitable work is offered after the beginning of such illness or disability. Seven States now have such a provision. Delaware also provided that individuals involuntarily retired shall be required to be available only for the kind of work which is suitable for the individual in view of his age, physical condition and other circumstances. New Hampshire changed its law so that a claimant must be available for suitable work, and added a provision that a female claimant need not be available between the hours of 1 and 6 a. m. New Hampshire also added

a provision disqualifying from benefits an individual who is unavailable for work outside a home. Wisconsin continued by statute the practice of allowing an individual up to 6 weeks to seek new work substantially in line with his job skill and prior pay. Tennessee added a provision to its law specifying that claimants are not required to actively seek work or make an independent search for work other than registering and reporting at an employment office in order to show evidence of availability.

DISQUALIFICATIONS

This year's disqualification legislation followed the same pattern as in previous legislative years. Some States made alleviating changes in the circumstances or conditions under which benefits are paid or in the length of the period for which benefits are denied but a number of the amendments were more restrictive in nature with several States adding reduction of benefit rights equal to the weeks of disqualification.

Ten States made changes in the disqualifying provisions for all three of the major causes—voluntary leaving, discharge for misconduct and refusal of suitable work without good cause. Much more restrictive provisions for all 3 causes were enacted in 6 of these States but affect only 3.4 percent of the total covered labor force. Thirteen other States made changes in the disqualification provision for one or more of the three major causes. Eighteen of these twenty-three States as well as eight others changed other conditions under which benefits are payable, such as unemployment due to pregnancy or to marital obligations, receipt of other remuneration, fraudulent misrepresentation to obtain benefits or involvement in labor dispute.

VOLUNTARY LEAVING

Eighteen States amended the provisions of their laws which disqualify from benefits individuals who voluntarily leave work without good cause. Maine and Montana made their provisions more restrictive by limiting good cause for leaving work to that "attributable to the employment" and Hawaii deleted such a provision. Maine extended the disqualification specifically to a female claimant who leaves work because of marital duties or claimants who remove themselves from the labor market where previously employed to an area where work opportunity is less frequent and also lengthened the disqualification period. Alaska changed from a variable disqualification period of from 1 to 5 weeks to a flat period of 5 weeks; Oregon increased its flat period from 4 to 8 weeks and Tennessee lengthened its variable period of from 1 to 5 weeks to from 1 to 9 weeks. South Dakota, Tennessee, and Vermont added equal reduction of benefit rights, in Tennessee the reduction is applicable only if the voluntary leaving immediately precedes the filing of a claim.

Arkansas made its provision less restrictive by reducing its flat disqualification period by 2 weeks. Illinois enacted a provision making the severity of the disqualification contingent upon the number of quarters in the base period in which the claimant had wages. The new provision is less restrictive for claimants with wages in 3 quarters of their base period and more restrictive for claimants with wages in less than 3 quarters. Seven other States either added provisos or technical amendments to their laws the effect of which was to make the laws less restrictive in four States and more restrictive in three other States. Texas added a technical amendment to its provision to clarify the date on which the disqualification period should begin.

DISCHARGE FOR MISCONDUCT

Eleven States amended the provisions which disqualify for discharge for misconduct. Alaska and Indiana extended the present disqualification for discharge for misconduct to suspension for misconduct as well. Maine increased the variable period for discharge for misconduct from 1 to 9 weeks to 7 to 14 weeks and added a more severe disqualification for discharge for gross misconduct. South Carolina extended its variable disqualification period from 18 to 22 weeks to coincide with the change in maximum duration from 18 to 22 weeks. It also provided that the disqualification period shall begin with the effective date of the claim instead of the week of the disqualifying act. Vermont lessened the period but provided that the disqualification shall begin with the week following the claim instead of the week of the act and added equal reduction of benefit rights. South Dakota and Tennessee added equal reduction, but in Tennessee the disqualification applies only if the discharge immediately precedes the filing of a claim. Arkansas changed its variable 6- to 10-week period to a flat 8-week period and

Alaska changed from a variable 1- to 5-week period to a 5-week period. Oregon changed from a variable 4- to 8-week period to a flat 8-week period and added reduction of 4 to 8 weeks. The severity of the disqualification in Illinois depends upon the number of quarters in the base period in which the claimant had wages; less restrictive for claimants with wages in 3 quarters of their base period and more restrictive for claimants with wages in less than 3 quarters. Texas made a technical amendment to its provision to clarify the date on which the disqualification period should begin.

REFUSAL OF SUITABLE WORK

Fifteen States amended the disqualification for refusal of suitable work provisions of their laws. Alaska changed from a variable disqualification period of from 1 to 5 weeks to a flat period of 5 weeks. Oregon increased its flat period from 4 to 8 weeks; and California increased its variable period by 4 weeks. Vermont and South Dakota added mandatory equal reduction of benefit rights. Maine deleted its equal reduction of benefit rights provision but increased the former variable disqualification period with a 5-week maximum to the duration of the unemployment resulting from the refusal. Arkansas reduced its flat disqualification period by 2 weeks. Alabama lessened the severity of its disqualification provision by changing from the duration of the unemployment plus earnings equal to 20 times the weekly benefit amount with equal reduction to a variable period of not less than 6 or more than 10 weeks with no reduction of benefit rights. South Carolina limited its disqualification to a refusal of an offer of suitable work and further liberalized by providing for optional reduction not to exceed the weeks of disqualification times the weekly benefit amount instead of optional equal reduction. Utah extended its provision to failure to apply properly or accept referral to suitable work. Ohio extended the disqualification to refusal or failure to investigate a referral to any work. Texas limited the refusal to the current benefit year and provided that the disqualification begin with the week following the refusal instead of the week following the filing of a claim. Illinois changed the disqualification period from the sixth week following the refusal to the sixth week following the filing of the claim or until the claimant again becomes employed. Tennessee added a proviso making its law more restrictive and Nevada deleted a proviso thus making its law less restrictive.

OTHER DISQUALIFICATIONS

Five States amended the provision for disqualification for unemployment due to marital obligations. Alaska added, Nebraska and Wisconsin deleted and Illinois and Montana made some modification to these provisions.

Nine States amended the provision disqualifying for unemployment due to pregnancy. Delaware and Wisconsin added such provisions. Seven other States amended existing provisions, Alaska and Utah to make it more restrictive and Arkansas, Connecticut, and Pennsylvania less restrictive. Washington added a 10-week period before and 4 weeks after confinement to its general presumption of inability to and unavailability for work. New Hampshire substituted a disqualification for a presumption of inability to and unavailability for work.

Seven States amended their provision disqualifying from or reducing the benefits of individuals receiving other types of renumeration. Alabama, Arkansas, Delaware, and Montana deleted certain types of income as disqualifying. Colorado and Wisconsin each added one type. Oregon deleted 1 type but added 4 other types.

Five States amended the labor dispute disqualification provision. Alaska and Rhode Island made the provision less restrictive; Arkansas, Ohio, and Texas made the provision more restrictive.

Eleven States increased the administrative disqualifications for intentional misrepresentation or nondisclosure of material facts in order to receive benefits.

TABLE 1.—Significant benefit provisions of State unemployment insurance laws, Oct. 2, 1955

State	Qualifying wages or employment in base period (number times weekly benefit amount unless otherwise indicated) ¹	Weekly benefit amount ¹		Earnings disregarded in computing weekly benefits for partial unemployment ⁴	Total benefits payable in benefit year					
		Computation (fraction of high-quarter wages, unless otherwise indicated) ²	For total unemployment		Proportion of wages in base period ⁵	Minimum		Maximum		
			Minimum ³			Maximum ³	Amount	Weeks of total unemployment ⁶	Amount ³	Weeks of total unemployment
Alabama.....	35; and 112.01 in 1 quarter.....	½s.....	\$6	\$25	\$6.....	¼.....	\$70.00	11+	\$500	20
Alaska.....	1¼ times high-quarter wages but not less than \$450.	1.7 to 1.1 percent of annual wages, plus \$5 for each dependent up to lesser of weekly benefit amount or \$25.	\$10-15	\$45-70	\$10.....	33 to 29 percent ⁵ ..	150.00	15	\$1,170-1,820	26
Arizona.....	30; and wages in 2 quarters..	½s.....	5	30	\$5.....	½.....	50.00	10	780	26
Arkansas.....	30.....	½ ₁ to ½ ₂	7	26	\$5.....	½.....	70.00	10	468	18
California.....	30 times weekly benefit amount or 1½ times high-quarter wages, if less, but not less than \$600 nor more than \$750.	½ ₁₇ to ½ ₂₆	10	33	\$3.....	½.....	\$260.00	6 26	858	26
Colorado.....	30.....	½s.....	7	28-35	\$3.....	½.....	70.00	10-26	\$560-910	20-26
Connecticut.....	\$300; and wages in 2 quarters.	½s, plus \$3 for each dependent up to ½ weekly benefit amount.	8-11	35-52	\$3.....	½.....	120.00	6 15	910-1,352	26
Delaware.....	30.....	½s.....	7	35	\$2.....	26 percent.....	77.00	6 11	910	26
District of Columbia.....	1½ times high-quarter wages; \$130 in 1 quarter and wages in 2 quarters.	½s, plus \$1 for each dependent up to \$3. ³	8-9	\$30	¾ weekly benefit amount.	½.....	92.00	11+	\$780	26
Florida.....	30 (18+, 23+, and 27 if weekly benefit amount is \$8, \$9, and \$10); and wages in 2 quarters.	½s to ½s.....	8	26	\$5.....	¼.....	38.00	4+	416	16
Georgia.....	35 to 45+; and \$100 in 1 quarter.	½s.....	5	26	\$5.....	Uniform.....	100.00	20	520	20
Hawaii.....	30.....	½s.....	5	35	\$2.....	do.....	100.00	20	700	20
Idaho.....	25 to 38+; \$150 in 1 quarter and wages in 2 quarters.	½s to ½s.....	10	30	¾ weekly benefit amount.	40 to 26 percent ⁵ ..	100.00	10	780	26

See footnotes at end of table, p. 164.

TABLE 1.—Significant benefit provisions of State unemployment insurance laws, Oct. 2, 1955—Continued

State	Qualifying wages or employment in base period (number times weekly benefit amount unless otherwise indicated) 1	Weekly benefit amount 1		Earnings disregarded in computing weekly benefits for partial unemployment 4	Total benefits payable in benefit year					
		Computation (fraction of high-quarter wages, unless otherwise indicated) 2	For total unemployment		Proportion of wages in base period 5	Minimum		Maximum		
			Minimum 3			Maximum 3	Amount	Weeks of total unemployment 6	Amount 3	Weeks of total unemployment 6
Illinois 7	\$550; and \$150 in other than high quarter.	½, plus allowance of \$0.50 to \$12 for claimants with 1 to 4 dependents and high-quarter wages of \$573.01 or more.	\$10	\$28-40	\$2	39 to 32 percent 8	\$215.00	* 21+	\$728-1,040	26
Indiana	\$250; and \$150 in last 2 quarters.	½	10	30	\$3 from other than regular employer.	¼	62.00	6+	600	20
Iowa	20	½	5	30	\$3	½	33.33	6+	720	24
Kansas	\$200 in 2 quarters or \$400 in 1 quarter.	½ up to 50 percent of State average weekly wage but not more than \$32.	5	32	\$2	½	67.00	* 13+	640	20
Kentucky	\$300	2.6 to 1.2 percent of annual wages.	8	28	½ wages	Uniform	208.00	26	728	26
Louisiana	30	½	5	25	\$3	½	50.00	10	500	20
Maine	\$300	2 to 1 percent of annual wages.	6	30	\$5	Uniform	138.00	23	690	23
Maryland	30; and \$150 in 1 quarter	½, plus \$2 for each dependent up to \$8.	6-8	30-38	\$5	¼	45.00	7+	780-988	26
Massachusetts	\$500	½, plus \$3 for each dependent but total may not exceed average weekly wage.	7-10	25-(9)	\$10	¾	150.00	* 21+	650-(9)	26
Michigan	14 weeks of employment at more than \$15.	63 to 41 percent of average weekly wages. 3	10-12	30-54	Up to ½ weekly benefit amount. 4	¾ weeks of employment.	95.00	9+	780-1,404	26
Minnesota	\$520	2.2 to 1.1 percent of annual wages.	12	33	\$6	42 to 29 percent 8	216.00	18	858	26
Mississippi	30	½	(*) 3	30	\$2	Uniform	48.00	16	480	16
Missouri	Wages in 2 quarters 8	½	(*) 25	25	\$4	½	(9)	(9)	600	24
Montana	1½ times high-quarter wages and \$170 in 1 quarter.	½ to ½	10	26	(10)	Uniform	200.00	20	520	20
Nebraska	\$300 in 2 quarters with at least \$100 in each of such quarters.	½ to ½	10	28	Up to ½ weekly benefit amount. 4	½	100.00	10	560	20

Nevada.....	30.....	½s, plus \$5 for each dependent up to \$20 but total may not exceed 6 percent of high-quarter wages.	8-12	30-50	\$5.....	¼.....	80.00	10	780-1,300	26
New Hampshire.....	\$400.....	2 to 1.2 percent of annual wages.	9	32	\$3.....	Uniform.....	234.00	26	832	26
New Jersey.....	17 weeks of employment at \$15 or more.	¾ of average weekly wage up to \$45 and ½ of average weekly wage above \$45.	10	35	Up to ¼ weekly benefit amount. ¹	¾ weeks of employment.	130.00	13	910	26
New Mexico.....	30; and \$156 in 1 quarter.	½s.....	10	30	\$3.....	¾.....	120.00	12	720	24
New York.....	20 weeks of employment at average of \$15 or more.	67 to 51 percent of average weekly wage.	10	36	(1).....	Uniform.....	260.00	26	936	26
North Carolina.....	\$250.....	2.4 to 1.0 percent of annual wages.	7	30	\$2.....	do.....	182.00	26	780	26
North Dakota.....	36; and wages in 2 quarters.	¼4, plus \$1 to \$3 per dependent, by schedule \$3 to \$9.	7-10	26-35	\$3.....	do.....	140.00	20	520-700	20
Ohio.....	20 weeks of employment and \$240.	¼7 to ½s, plus \$3 for each dependent up to \$6.	10-13	33-39	\$2.....	½.....	120.00	6 12	858-1,014	26
Oklahoma.....	20; and wages in 2 quarters.	½s.....	10	28	\$7.....	¾.....	67.00	6+	616	22
Oregon ¹²	37 times weekly benefit amount, or 1½ times high-quarter wages, if less, but not less than \$700.	½s.....	15	35	½ weekly benefit amount.	¾.....	233.00	6 15+	910	26
Pennsylvania.....	32 to 42; and \$120 in 1 quarter.	½s or 50 percent of full-time weekly wages, whichever is greater.	10	35	\$6.....	Uniform.....	300.00	30	1,050	30
Rhode Island ¹²	30.....	½s.....	10	30	\$5.....	35 to 27 percent.....	104.00	10+	780	26
South Carolina.....	1½ times high-quarter wages but not less than \$240; and \$120 in 1 quarter.	½s to ¼s.....	8	26	¼ weekly benefit amount.	¾.....	80.00	10	572	22
South Dakota.....	1½ times high-quarter wages and \$150 in 1 quarter or wages in 2 quarters if base-period wages are \$600 or more.	½s to ¼s.....	8	25	\$3.....	36 to 22 percent.....	80.00	10	500	20
Tennessee.....	40, 50, and 60; and \$75 in 1 quarter.	½1 to ½s.....	5	30	\$5.....	Uniform.....	110.00	22	660	22
Texas.....	\$375 with \$250 in 1 quarter and \$125 in another or \$450 with \$50 in each of 3 quarters or \$1,000 in 1 quarter.	½s.....	7	28	\$3.....	¼.....	6 113.00	6 16+	672	24
Utah.....	19 weeks of employment and \$400.	½s.....	10	33	\$6 from other than regular employer.	Weighted schedule of base-period wages in relation to high-quarter wages.	150.00	6 15	858	26
Vermont.....	30; and \$200 in 1 quarter and ¼ of wages in last 2 quarters.	½2 to ½s.....	10	28	\$3.....	Uniform.....	260.00	26	728	26
Virginia.....	25 (16+ if weekly benefit amount is \$6).	½s.....	6	24	\$2.....	¼.....	36.00	6	384	16

See footnotes at end of table, p. 164.

TABLE 1.—Significant benefit provisions of State unemployment insurance laws, Oct. 2, 1955—Continued

State	Qualifying wages or employment in base period (number times weekly benefit amount unless otherwise indicated) ¹	Weekly benefit amount ¹			Earnings disregarded in computing weekly benefits for partial unemployment ⁴	Total benefits payable in benefit year				
		Computation (fraction of high-quarter wages, unless otherwise indicated) ²	For total unemployment			Proportion of wages in base period ⁵	Minimum		Maximum	
			Minimum ³	Maximum ³			Amount	Weeks of total unemployment ⁶	Amount ³	Weeks of total unemployment
Washington.....	\$800.....	2 to 1.1 percent of annual wages.	\$17	\$35	\$8.....	26 to 29 percent ⁵ ..	\$204.00	12	\$910	26
West Virginia.....	\$500.....	1.8 to 1 percent of annual wages.	10	30	\$6.....	Uniform.....	240.00	24	720	24
Wisconsin.....	14 weeks of employment at average of \$13 or more.	69 to 51 percent of average weekly wage.	10	36	Up to ½ weekly benefit amount. ⁴	7/10 weeks of employment.	100.00	10	954	26½
Wyoming.....	26; and \$200 in 1 quarter.....	½ ₁ to ½ ₂ , plus \$3 for each dependent up to \$6.	10-13	30-36	½ weekly benefit amount.	31 to 26 percent ⁵ ..	80.00	8	780- 936	26

¹ Weekly benefit amount abbreviated in columns as wba.

² When State uses a weighted high-quarter formula, annual-wage formula or average weekly wage formula, approximate fractions or percentages are figured at midpoint of lowest and highest normal wage brackets. When dependents' allowances are provided, the fraction applies to the basic benefit amount.

³ When 2 amounts are given, higher includes dependents' allowances except in Colorado where higher amount includes 25 percent additional for claimants employed in Colorado by covered employers for 5 consecutive calendar years with wages in excess of \$1,000 per year and no benefits received; duration for such claimants is increased to 26 weeks. Higher figure for minimum weekly benefit amount includes maximum allowance for 1 dependent; in Michigan, for 1 dependent child or 2 dependents other than a child. In the District of Columbia same maximum with or without dependents. Maximum augmented payment in Massachusetts not shown since any figure presented would be based on an assumed number of dependent children. In Alaska the maximum for interstate claimants is \$25 and no dependents' allowances paid.

⁴ In States noted full weekly benefit is paid if earnings are less than ½ weekly benefit and ½ weekly benefit amount if wages are ½ weekly benefit but less than weekly benefit.

⁵ In States with weighted schedules the percent of benefits is figured at the bottom of the lowest and of the highest wage brackets; in States noted the percentages at other brackets are higher and/or lower than the percentages shown.

⁶ Figure shown applies to claimants with minimum weekly benefit and minimum qualifying wages. In Delaware and Utah statutory minimum. In California minimum duration at other levels is 15 weeks and minimum potential benefits \$300. In Illinois, statutory minimum of 10 weeks not applicable at minimum weekly benefit amount. In Texas, alternative qualifying wages of \$250 in high quarter and \$125 in another quarter may yield benefits of \$10 per week for 9+ weeks or \$94. In other States noted, if qualifying wages are concentrated largely or wholly in high quarter, weekly benefit for claimants with minimum qualifying wages may be above minimum weekly benefit amount and consequently weeks of benefits may be less than the minimum duration shown.

⁷ Effective Apr. 1, 1956.

⁸ If benefit is less than \$5, benefits are paid at the rate of \$5 a week; no qualifying wages and no minimum weekly or annual benefits are specified.

⁹ 50 cents.

¹⁰ No partial benefits paid, but earnings not exceeding the greater of \$15 or 1 day's work of 8 hours are disregarded for total unemployment.

¹¹ Partial benefits are ¼ of weekly benefit amount for each of 1 to 3 effective days. An "effective day" is the 4th and each subsequent day of total unemployment in a week for which not more than \$36 is paid.

¹² Effective Jan. 1, 1956.

Senator SPARKMAN. Furthermore, we have asked others to contribute their comments on the area of discussion we have had this afternoon. I shall read the list of those who have sent in statements which will be included in the record:

Pearl Bierman, medical care consultant, American Public Welfare Association.

Frank Dickinson, director of research, American Medical Association.

Andrew Marrin, chief, Bureau of Vocational Rehabilitation, State Department of Education, California.

Percy J. Trevethan, executive secretary, Goodwill Industries of America, Inc.

Henry Viscardi, President, Abilities, Inc.

Kenneth Williamson, director, Washington Service Bureau, American Hospital Association.

(The statements are as follows:)

REVIEW OF CURRENT SOCIAL HEALTH INSURANCE AND GOVERNMENT WELFARE PROGRAMS TO INCREASE ECONOMIC SECURITY: ANALYSIS OF UNMET NEEDS—HEALTH PROBLEMS AND HEALTH CARE FOR THE NEEDY

Pearl Bierman, Medical Care Consultant, American Public Welfare Association

The American Public Welfare Association is the national organization of local and State public welfare departments and of local, State, and Federal welfare personnel. Its membership includes administrators, board members, and workers from all States and Territories. Affiliated with the association are the National Council of State Public Assistance and Public Welfare Administrators and the National Council of Local Public Welfare Administrators. The association therefore represents a membership of agencies and individuals who have had direct experience with some of the problems that are being considered by the Subcommittee on Low-Income Families and who have had, particularly, extensive experience with the health problems of and the provision of health care for the needy.

Because of the extensive and complicated nature of these health problems and the great need to improve the care provided for sick and dependent persons, the American Public Welfare Association, for many years, has had a medical care committee representing administrators, workers, and technicians in the health field. In addition, 3 years ago the association reactivated the staff position of medical care consultant in order that specialized staff services might be available to public welfare agencies and their staffs. It is evident, from the association's contacts with operating programs throughout the country, that health problems in the public welfare programs are on the increase rather than the decrease.

RELATIONSHIP BETWEEN SOCIAL INSURANCE AND PUBLIC ASSISTANCE

The American Public Welfare Association has long supported extension of the contributory social-insurance programs and measures to improve the benefit levels so that these would be better related to rising wages and standard of living. Public welfare administrators are eager to support any measures which will reduce the assistance loads and their drain on tax funds. The economic, social, and individual advantages of a contributory system, which is self-financing and entitles the beneficiary to payments, are obvious. When most individuals and most situations of economic insecurity beyond the control of individuals are covered in this way, public assistance can assume its rightful residual role, meeting unusual situations in a flexible and individual way.

DISABILITY INSURANCE

Contributory social insurance has proved the best governmental method to assure maintenance of income for individuals and their families during periods when work is impossible or unavailable for them. This country has made great strides in the past 20 years in moving toward such income maintenance for persons who are unemployed or who have reached retirement age, or for the dependents

of the retired or deceased worker. There is, however, no nationwide program of protection through insurance against loss of earnings due to disability. The American Public Welfare Association has long endorsed the principle of insurance which would provide income maintenance for persons with permanent and total disability. Public welfare programs throughout the country are sadly familiar with the cost, both in individual dependency and in charges against tax funds of chronic illness and long-time disability.

Prolonged total disability is one of the chief causes of poverty in this country. When the wage earner, usually the father, is so seriously disabled that he is no longer able to work, financial problems immediately arise and the mother and the children in the family must soon turn to other sources of income. Perhaps the mother tries to find work. Perhaps older children leave school and look for jobs. The family's savings rapidly disappear. Eventually, and far too frequently, they may become dependent upon public assistance. Over three-quarters of a million persons on the federally aided public assistance rolls receive help because of disability. An additional one-third of a million persons receive State and locally financed general assistance because the individual himself, or the person who would normally support the family members, is disabled. Private charities and relatives care for uncounted thousands more who are in need because disabilities keep them from working. Estimates indicate that more than 2 million potential workers have been totally disabled for more than 6 months, and that only a few of these have sufficient resources to remain self-supporting for any length of time.

Private insurance protection against income loss resulting from permanent and total disability is not available to most people, either because of the cost of such private insurance policies or because the individuals are not first-class risks. Some union contracts and private employers' plans provide disability benefits, but these are generally limited and require that certain eligibility requirements be met. Under some circumstances, veterans, railroad employees, and some employees in State or Federal Government work can draw cash benefits if they become totally disabled. Most workers who are injured on the job or suffer work-connected illnesses can draw benefits under State workmen's compensation laws, but work-connected illnesses and injuries make up only about 5 percent of all total disabilities. For most people, serious disablement which makes work impossible also means loss of savings and other assets and, if the disability is prolonged, eventually requires turning to public assistance.

Some groups have raised objections against the establishment of a Federal program of permanent and total disability insurance benefits, stating that life-insurance and group-insurance experience with disability income benefits has been unfavorable. It is true that, in the early years of experimentation with such insurance coverage, companies failed to set adequate reserves, paid excessive benefits, permitted adverse selection of risks, and engaged in many other unsound underwriting practices. Companies with efficient operations and an adequate rate structure have had successful experience. Claims rates have proven to be reasonably predictable, and evidence from public programs, such as railroad and veterans retirement plans, shows that benefit and administrative costs can be controlled.

Another objection to disability insurance has been the claim that a disability-insurance program would discourage persons from undertaking appropriate rehabilitation measures since they would then become ineligible for disability benefits. On the contrary, social insurance can greatly facilitate the rehabilitation of disabled persons. Guaranteeing the security of the worker and his family during the rehabilitation process will encourage the disabled worker to agree to rehabilitation. The disabled person is better able, both financially and emotionally, to participate in a rehabilitation plan when he knows his family is financially secure. The experience of the Federal-State vocational rehabilitation program has indicated that moderate amounts of income maintenance during disability play an important part in encouraging the patient to undergo treatment and learn new skills. It must be recognized, too, that the modest benefits in a Government disability program would not encourage a person who is able to work to give up a much larger income from regular employment.

The Commission on Chronic Illness, a national private organization devoted to consideration of planning for the chronically ill, has just completed its recommendations on care of the long-term patient. The Commission's recommendation with respect to maintenance of income reads: "A variety of devices has been developed through which income is maintained, in whole or in part, for some long-term patients. They include: voluntary insurance plans, workmen's compensation, nonoccupational disability insurance, old-age and survivors insurance, and

public assistance. These methods should be continued and their use further developed with particular reference to the long-term patient. For example, old-age and survivors insurance, with suitable safeguards, should be extended to include income maintenance for persons whose loss of income is due to long-term illness or disability. * * * This extension should be designed to stimulate maximum rehabilitation and provide economic incentives to return to work." The American Public Welfare Association, as one of the four national organizations which founded the Commission on Chronic Illness, is in complete agreement with this recommendation.

PUBLIC WELFARE PROGRAMS

There is earlier reference in this statement to the large proportion of persons receiving public assistance who have disabilities of varying kinds and degrees, and who, in many instances, have initially turned to the public assistance programs because of their health problems and the relationship of such problems to their need for financial assistance. There is great need for expansion of programs and services which will help recipients of public assistance achieve the maximum feasible level of self-care, adjustment, or self-support. Gaps in existing programs make it impossible to achieve this objective in all parts of the country.

The present provisions of the Social Security Act limit Federal financial participation in assistance payments and in vendor payments for medical care to totals within ceilings for each of the four categorical programs (aid to the blind, aid to dependent children, aid to the permanently and totally disabled and old-age assistance). The Federal matching formula, therefore, is such that the Federal Government is able to participate in only a relatively small portion of the costs of medical care needed by public assistance recipients. A study made by the American Public Welfare Association in 1953 indicated that there were only 17 States in the country in which the State helped the localities to finance the total cost of essential medical care for needy persons benefiting from these categorical assistance programs. The localities, usually the counties, in the remaining States were the only resource to which these needy persons could turn for help when their medical requirements exceeded the amounts in which the Federal Government and the State would participate financially. The local units are frequently unable to bear this burden. There is urgent need for adequate financing, by Federal, State, and local governments, of the essential services and supplies needed by sick, needy persons. In general, it seems advisable for administration of such medical care programs to be under the same general auspices as the assistance programs, although in one State and a small number of local units this responsibility is carried by the public health department rather than the public welfare agency. The American Public Welfare Association is in favor, therefore, of increased Federal participation in the costs of medical care provided through the public assistance programs. A recent policy statement of the association states: "Because of the large numbers of public welfare clients needing medical care, the uneven incidence of the need for medical care, and the high and unpredictable costs for such care, the Federal Government should share such costs with the States on a basis not restricted by ceilings on individual payments established for the maintenance grants."¹ Legislation is already pending in the Senate Committee on Finance which would provide a more adequate and flexible method of financing public assistance medical care. It is hoped that Congress will take steps to enact legislation of this type.

Improved rehabilitation services are extremely important, both in the prevention and treatment of financial dependency due to illness and disability. Much progress has been made in providing for closer integration of public welfare and rehabilitation services. Recently, there have been clearer definitions of the areas of responsibility of the vocational rehabilitation agency and the public welfare department. The vocational rehabilitation agency is suitably limited by law to services to persons who can be expected to return to the labor market. A number of progressive public welfare departments, therefore, have developed their own programs of rehabilitation services for the individual who either may not be expected to return to work or who will always be a marginal worker, but who will lead a more satisfying existence if he can be restored to a maximum feasible level of self-care. The American Public Welfare Association believes that the provision of comprehensive rehabilitation services to needy persons not eligible for such service from the vocational rehabilitation agency is a public welfare responsibility, and that expenditures from public welfare funds are justified

¹ American Public Welfare Association, Certain Current Public Welfare Issues—Grants-in-aid, approved July 9, 1955, by the APWA board of directors, item 7.

when the purpose is to assure service which will restore public welfare clients to the highest possible level of self-care or self-support. The public welfare department's role includes community planning and other forms of cooperation with all other agencies concerned with rehabilitation services; casework services which prepare the client for referral to appropriate rehabilitation services; helping with social, psychological, and financial problems of clients and their families arising during and after the rehabilitation process; providing and financing suitable rehabilitation services (which may include any combination of medical care, casework service, and vocational counseling, training and placement) to clients not eligible for the Federal-State vocational rehabilitation program; and coordinating the rehabilitation services needed by the welfare client.²

The administrative costs of such important and necessary services should be shared by the Federal Government. The Social Security Act is not currently clear with respect to this Federal responsibility, and the language should be amended to define the appropriate purposes of each of the public assistance titles and the services required in connection therewith.

Skilled trained social workers are insufficient in numbers to staff the public-welfare departments in this country. Many agencies are unable to employ trained workers even in supervisory positions. There is great need, particularly in the public-assistance programs, for Federal help with educational programs, and the American Public Welfare Association has recommended that Federal funds be provided to assist States in training professional staff for the State and local public-welfare programs.³

Another major gap in this country's public-welfare programs is in the area of general assistance. That program, financed by State and/or local funds, provides assistance to individuals who do not qualify for the categorical assistance program. The American Public Welfare Association has long favored the extension of Federal aid to the States to include assistance to all needy persons whatever the cause of their need, and has recently reiterated this recommendation.⁴ A comprehensive assistance program is essential if the public-welfare programs are to carry out their well-recognized function of helping all needy individuals on an equal basis. If, however, the Federal Government is not prepared to share the cost of general assistance at this time, there should be a broadening of the definition of disability in the program of aid to the permanently and totally disabled to include all those who are needy because of disability.

The American Public Welfare Association is in sympathy with the objectives of this subcommittee and is gratified that, in its study of the problems of the low-income group, the subcommittee is reviewing the special health problems of the needy. The association, in discharging its responsibility as the national spokesman for public welfare, and in fulfilling its function as a clearinghouse of public-welfare information, has accumulated information which makes it evident that there is pressing need for better provision of health services for needy persons. Until and unless such provision is made, it can be expected that the health problems of the needy will become more acute and that the number of persons becoming and remaining dependent because of illness will increase. As the Nation is concerned with conserving its abundant natural resources, so must there be concern with and planning for a similar conservation of the Nation's great store of human resources.

(The exhibits submitted with this statement are in the committee files.)

REVIEW OF CURRENT SOCIAL INSURANCE AND GOVERNMENT WELFARE PROGRAMS
TO INCREASE ECONOMIC SECURITY: ANALYSIS OF UNMET NEEDS

Frank G. Dickinson, Ph. D., director of the bureau of medical economic research,
American Medical Association

I appreciate this opportunity to present my views on the unmet needs for medical care to the subcommittee on the problems of low-income families. I am filing this statement for publication in the record of your committee hearings at Senator Sparkman's request, even though I shall not take part in the discussion. Because this arrangement will not permit further consideration of questions raised by this presentation, or the expansion of points in which the subcommittee may be particularly interested, my statement is supplemented by a bibliography and a number of printed items.

² The Place of Rehabilitation in the Public Welfare Program, Public Welfare, April 1955, p. 47.

³ Certain Current Public Welfare Issues—Grants-in-Aid, item 4.

⁴ Ibid, item 2.

A. M. A. MATERIALS AND ACTIVITIES

This paper has benefited from several sources of information within the American Medical Association. The Council on Medical Service is engaged in appraising the quality and distribution of medical service in certain communities and solving problems in this area as they arise. A number of their published materials on specific programs are included with my statement for your consideration. I have profited from certain unpublished information of this office, and especially from the advice of Mr. George Cooley, the assistant secretary. The bureau of medical economic research, of which I am the director, has conducted a number of studies on the availability of medical services and on economic factors which influence their distribution. Our published results are included with my statement.

The American Medical Association is one of five associations in the health field which participate in the Joint Conference on Medical Care of the Indigent. Among my enclosures you have a list of these associations and their representatives to the conference. The representatives have agreed upon a statement on tax-supported personal health services for the needy which is being offered for the official approval of the participating associations. The conference has made available to me certain information which I pass on to you. I cannot, of course, claim to anticipate their further findings. Buoyed up by the advantage of good counsel, I nevertheless offer these remarks as an economist in my own right. Having enjoyed the benefits of academic freedom since the beginning of my career, I am happy to accept the responsibilities which accompany this privilege.

The polestar of your symposium is the effort to cure the chronic low-earnings experience of certain groups. This approach presents the initial problem of identifying the group which suffers chronic low-earnings experience, which is no easy matter. One common error in this type of effort is the failure to observe the relationship between age and income level. Individuals in low-income groups are not homogeneous. They include the young people who are newly embarked upon their working lifetimes and the aged living in retirement as well as those for whom low earnings are a serious and persistent problem. This fact should be given due consideration in the study of unmet needs for medical care among low-income families.

UTILIZATION OF PHYSICIAN SERVICES

It has been observed that utilization of physicians' services is somewhat greater among members of the lower-income groups. It should be remembered that obstetrical and pediatric expenses play a relatively larger part in the family budgets of those in the earlier years of married life—the low-earning years. By far the larger part of these expenditures are associated with perfectly normal life processes and are not indicative of disease or trauma. Failure to recognize this will lead to a greatly exaggerated notion of the coincidence between morbidity and low income.

On the other hand, it is certainly true that illness is to some extent associated with low income. A reasonable case can be constructed placing the onus of causation upon either low income or morbidity. Ogburn¹ goes so far as to assert that the rise in standards of living in this country, quite apart from medical progress, has accounted for a 25 percent decrease in infant mortality. In his discussion infant mortality was used as a convenient handle with which to grasp the incidence of disease. To the extent that such implications are justified, health may be expected to improve as financial problems are successfully dealt with.

I wish, however, to take up the other alternative, and discuss the contribution that is made, or may be made by health care in solving the problem of the low-earning group. Ill health is in some cases among the constellation of causes for chronic low-earnings experience. Your committee will have to deal with such diverse factors as instability of employment conditions—depressed areas and misallocation of labor resources on a national basis, as well as many highly personal factors. A worker may fail to achieve a sufficiently high or stable income because of lack of ability which in the tractable cases will respond to increased education or training, but will be more stubborn if it arises from a deficiency in physical and intellectual endowment. Lack of motivation to seek and hold a job is a factor in many an individual case of low income, to which no satisfactory solution has been found. Poor physical condition is significant in other cases of absenteeism and poor performance. Sickness or disability of a worker or his

¹ Implication of the Rising Standard of Living in the United States, William Fielding Ogburn in the American Journal of Sociology, vol. LU, No. 6 (May 1955), p. 543.

family is a well-known cause of financial distress which needs no elaboration. So regardless of the importance of health standards in relation to other factors, it is recognized that this is a field where we can take steps to improve such unsatisfactory conditions as do exist.

HEALTH FACTORS

A great many specific and controllable factors influence health, which may be grouped within the categories of nutrition, housing, hygiene, medical care, and health education. When family expenditures for food, clothing, and shelter are reduced below a certain point health standards will suffer and this tends to perpetuate the low-earnings pattern. The consumption of medical services does not, however, bear the same relation to family income as the consumption of other health-related goods and services. The medical and health professions are unique among all occupational groups in that they give their services free of charge or at bargain rates to those who need them but cannot pay. There is no such practice among grocers, plumbers, or automobile manufacturers. People truly need a great variety of things to sustain life and to make it worth living; yet medical needs alone, of all human needs, are served regardless of economic demand.

The responsibility of attending the indigent sick falls upon various groups. In the array of medical services consumed by the sick, the expense of providing physicians' services is absorbed by the members of that profession. Hospitals and their philanthropists shoulder the financial burden of hospitalization and outpatient care. Public health and welfare agencies fill in the gaps. The governing postulate to all who take part in providing these services is that no one must go without.

At this point it seems appropriate to reconsider the difficulty of designating or enumerating the recipients of medical assistance. Income data do not provide adequate information to determine need, failing as they do to take into consideration a host of qualifications such as income received in kind. It is fortunate indeed that this puzzle, which seems virtually impossible when viewed through national statistics, can be successfully dealt with at the local level. The removal of analytic and organizational difficulties imposed by the national aggregate approach exposes the problems to attack by caseworkers who are in a position to diagnose and dispatch them.

SMALL FEES OR NO FEES

The care of the indigent is perhaps the most significant factor in shaping the present practice of medicine. Many if not most physicians in private practice make donations to this cause. Some devote certain hours each week to the care of charity patients and outpatients in hospitals. The practice of adjusting fees according to ability to pay is well known. Physicians also absorb some costs of illness in a less obvious manner—noncollection. The formal aspects of the care of the indigent are seen in teaching hospitals. Ward and charity patient care is the cornerstone of medical education. The institution of internship serves a dual purpose. The advanced student is afforded a period of priceless clinical experience under expert supervision, and his virtually unpaid services are received chiefly by the indigent. Recently, concern has been expressed for the consequences to medical education from the declining numbers of ward patients, a result of the increasing use of hospitalization insurance. Free medical care in teaching hospitals and their outpatient services should not be looked upon only as charity, because of the service rendered to medical education by the patients. As a result of this system, the need for medical care is doubtless the best served of all those human needs that bear upon the health of the poor.

HEALTH EDUCATION

The most promising remaining method of raising health standards among low-income groups is that of education. Even at present income levels many families could improve their level of living through different allocation of income. To some extent, this possibility depends upon increased understanding of the principles and value of proper nutrition, sanitation, and health habits. A theoretically adequate family income does not produce an acceptable standard of living if it is being spent upon gambling, alcohol, or entertainment, to indulge in horrible examples.

Continuing unmet medical needs can be dealt with in part through efforts to increase utilization of medical service facilities already in existence. It is difficult to estimate how many cases of disease are subjected to unnecessary neglect because of actual indifference. Good health is by no means so important to all of our citizens as it is to us who are intent upon this problem. As a Nation, we are conditioned to regard tiptop physical condition as something of an ideal. Yet there are individuals among us who tolerate mysterious, distressing, or unsightly conditions for long periods of time without seeking relief. Active efforts to remedy this situation through increasing health consciousness would improve both the physical and economic well-being of such individuals.

Still other cases of unnecessary suffering result from ignorance. Nonutilization of medical-care facilities is to some extent governed by local custom resulting from failure to publicize their value and availability. Superstition persuades some persons to dose themselves with traditional nostrums or to take their troubles to illegitimate practitioners. Delays caused by these practices and the unfortunate consequences of unwise treatment may greatly reduce the chances for successful therapy once competent medical attention is sought. The fine educational programs of the American cancer societies, the National Tuberculosis Association, and the National Foundation for Infantile Paralysis demonstrate the value of bringing the story of medicine to the people. I believe that the chief existing unmet needs in the field of medical care, and to a great extent in the broader field of health care for the indigent, can best be met by an educational campaign which will make people aware of the economic value of good health and will acquaint them with the means of securing it.

PEOPLE NEED EVERYTHING

To confine this discussion of unmet needs in medical economics to health problems and health care of the indigent, however, would be skirting the real issue of today. "The poor ye have with you always," and [we of] the medical profession and its subsidiaries are accustomed to the special problems that arise in this realm, and to its rewards. The practice of medicine is geared to this responsibility. I should like to turn now to a more timely issue.

Students of medical economics have long recognized the existence of a group midway between the indigent and those fortunate persons who are always able to meet financial emergencies from their own resources. This group may be designated the "medically indigent." Many of them are self-sufficient under ordinary circumstances; they provide for their own daily needs out of current income and regularly put aside savings against a rainy day. But even people who have enough money for food, clothing, shelter, and television often face financial embarrassment when presented with the bills for an unexpected illness. In most such cases it is not the size, but the suddenness of the financial drain that is a problem. Statistics show that medical expenditures in most families during a given year are a small percentage of income, but they are frequently inopportune in occurrence.

The medically indigent group today differs from that of a century ago by the development of two factors: medical progress and health insurance. Medical progress has had a twofold economic effect. It has brought better and cheaper attention within the reach of all our citizens, and the increasing refinement of medical science has brought concomitant cost increases in cases of severe or prolonged illness. This fact may send a few patients to the poorhouse even as it saves them from the grim reaper. It must be emphasized that for the average patient the advance of medicine has meant a less expensive, as well as a safer, surer cure. But for Lazarus, brought back from the grave by modern medical miracles, this is cold comfort. Compounded with medical expenses, he must face the loss of income during his period of disability. The care of an invalid or convalescent often falls upon the members of his family, thus drying up other sources of income. Health insurance, on the other hand, has reduced the members of the medically indigent by leveling off the peaks of medical expenditure. The many who could not postpay have been succeeded by the few who cannot prepay.

MEDICAL PROGRESS

Viewing these matters in their proper perspective, the march of medicine has yielded enormous benefits to the American people as a group. There is now better and less costly treatment for almost any given complaint. This also means less time lost from the job per illness, on the average. Chances for recovery and for

total recovery are greater than ever before. The flaw in this picture is that some must pay more for medical care—ironically enough, as a result of medical progress. In this group are patients who must be hospitalized for long periods of time and those who require intensive and highly specialized attention. Prolonged or repeated hospitalization is a more serious problem now that people need no longer die of appendicitis or diphtheria. They are more likely to survive, thus later becoming victims of the degenerative diseases.

Other expenses arise because the frontier of medical progress is bordered with new procedures, new drugs, and new specialties which are expensive. A cure unavailable 10 years or 10 months ago will be routine tomorrow, but there is an early period in the life of many therapeutic innovations when they carry a high price tag.

Many changes underlie these medical-economic phenomena. Medical practice is different. There is new emphasis upon intensive treatment with increased use of hospital facilities. Enormous increases in the sheer bulk of medical knowledge have forced the development of specialties within the medical profession and paramedical personnel. The developments of the United States economy and technology have not been without their implications for medicine. Equipment used in the diagnosis and treatment of disease is ever more complex, ever more quickly outmoded by new advances. Hospitals have larger payrolls to meet today. They employ more janitors, orderlies, and maids, and they must compete with bids from private industry which have in recent years increased labor's share of the national income.

ROLE OF INSURANCE

The functions of health insurance may be grouped under two classifications—the prepayment function, a budgeting device, and protection from financial emergencies. The former is chiefly a convenience making it easier for families to plan health expenditures as they do other purchases. Health insurance coverage is an inducement to seek the services of physicians and other health personnel in borderline complaints rather than take a chance in order to save the fee. It reduces the numbers of persons who fall into the medically indigent category because prepayment makes it easier to finance health needs by spreading out medical expenditures. The prepayment of small medical expenses, however, reaches a limit of usefulness. This is true because administrative costs for small claims are high in relation to benefits. This fact should encourage family spending units to arrange their own budgets to include minor and routine medical expenses, rather than insuring against them.

INSURANCE REDUCES NUMBER OF INDIGENTS

The possibility of financing most medical expenditures by family budget allocations leaves unaffected the problem of the medical-financial catastrophe. This is the area where private insurance can, and is doing the American public a real service. Many Blue Cross claims, for example, exceed \$5,000; on the average, four-fifths of the hospital bill is paid. The real future of the institution of medical-care insurance lies in covering major medical expense. The rapid and successful expansion of this type of insurance demonstrates its economic soundness. Administrative expenses are relatively low, putting protection within the reach of almost everyone, even those who might be thought in danger of medical indigency. Indeed, the pioneers in this field designed their coverage for lower income groups. Expansion along the lines mapped out by Blue Cross, Blue Shield, and the insurance companies offering this protection may be expected to continue at a pace governed by normal economic incentives tempered with actuarial caution and the safety features of our insurance laws. The insurance industry seems to have become aware of the cul de sac of comprehensive coverage with its higher overhead. The public has been oversold on five-and-dime (small claims) insurance, and it may require some reeducation efforts to wean them from the idea toward an appreciation of the proper function of health insurance.

ROLE OF PERSONAL SAVINGS

Voluntary health insurance has played and should play a major but limited role in the financing of medical care. We save for rainy days and one of these rainy days is illness or accident. The propensity to save is not restricted to any income class. Some of the low-income families save; some of the high-income families do not save. The cornerstone of any program to finance medical care for its own sake or for the purpose of improving the status of the low-income.

groups, has been and will be personal savings. (The data in the Fact Book are not very useful in measuring the potential of these savings.)

(The exhibits submitted by Mr. Dickinson are made a part of the record and are in the committee files.)

PHYSICAL DISABILITY AND LOW INCOME

Andrew Marrin, State Department of Education, Bureau of Vocational Rehabilitation, California

While the etiological factors which create low income are multitudinous, one which is readily identifiable and of principal concern is the impact of physical disability in limiting the individual's capacity to earn a decent livelihood. Certainly the broad sweeping effects of this factor are reflected in the enormous public expenditures entailed in maintaining our disabled population and their families. While the total costs are not readily ascertainable since a considerable portion is not calculable, a listing of several known expenditures in this area helps to portray the scope of the problem.¹

PUBLIC COSTS OF DISABILITY ARE HIGH

In California alone, with about 8 percent of the Nation's population, identifiable public costs for maintaining the disabled in 1954 were in excess of \$360 million which were distributed among the following programs: \$12 million was spent for aid to the needy blind, about \$10 million for aiding families with incapacitated parents through the aid to dependent children program, and approximately \$5 million for supporting the disabled on general assistance, totaling \$27 million in public assistance programs alone. In addition, disability insurance payments exceeded \$38 million and the total incurred losses from injuries covered by workmen's compensation was greater than \$90 million.

Added to these huge sums were expenditures in excess of \$151 million paid to California veterans in the form of disability compensation and pensions by the Veterans' Administration, and more than \$60 million to maintain the mentally handicapped in State facilities. And these staggering figures do not include either the enormous sums spent in maintaining the disabled in local public hospitals and institutions or the sizable losses in income resulting from either temporary or permanent disabilities. In terms of the number of people affected, for this measurement is also significant, the size of the problem is more readily understood. Recent studies of a national character have estimated that there are 2 million disabled adults who could benefit from vocational rehabilitation.² California's share of this population which does not include those over 65 nor less than 16 years of age is estimated between 100,000 and 150,000 adults. Of the huge disabled population, only a small proportion apply or are referred for vocational rehabilitation services. And, furthermore, of those applying only one out of four are actually accepted for service. Prominent among the many reasons for rejection are severity of the disability and doubtful rehabilitation prognosis.

The California Bureau of Vocational Rehabilitation has in the past year made an intensive analysis of its active cases which has brought out some revealing data on the nature and characteristics of its rehabilitation cases. One of the reasons for this step is the fact that the statistical program of vocational rehabilitation agencies has been largely limited to summary reports of caseloads and somewhat more extensive studies of cases which were successfully rehabilitated which, in the opinion of many, only tells a relatively small part of the whole story. California, accordingly, has studied a 50 percent sampling of its entire caseload of 5,000 cases as of December 1, 1954, and the following information is derived from this study. A copy of the report of the study is attached.

DATA ON CALIFORNIA'S REHABILITATION CASES

Certain basic facts about the clients served by the California rehabilitation agency are pertinent to this discussion. First, these clients present striking evidence of marginal economic status. To document this point, it should be noted

¹ In this discussion we refer to physical disability either as a handicap of a physical or emotional nature which prevents or interferes with an individual's capacity to earn a livelihood.

² U. S. Department of Public Health, Education, and Welfare, Office of Vocational Rehabilitation, Number of Disabled Persons in Need of Vocational Rehabilitation, June 1954, p. 1. In a separate California study it was estimated that 1 million persons were disabled in this State during the entire month of March 1955 (California State Department of Public Health, Illness in California, Current Morbidity Project, Rep. No. 10, March 1955, p. 1).

that 42 percent were dependent upon public assistance for support, and these welfare payments exceeded \$3 million annually. In addition, 41 percent were forced to rely upon their families for support, 16 percent received one or more of a cluster of social insurance payments including workmen's compensation, disability insurance, unemployment insurance, and disability pensions; approximately 7 percent were subsisting on their dwindling savings, while a negligible number were employed at the time they requested services, more than one-half of whom were earning less than \$90 per month.

There were additional and significant indexes of their needs and economic problems provided by information on their employment history and the length of unemployment prior to acceptance for service. More than 55 percent had not worked since their disabilities became employment handicaps, and another one-third had sporadic, irregular employment. Approximately two-thirds had been unemployed at least one or more years at the time they were referred for service, and one-sixth were completely out of the labor market. These were people with many dependents also, as reflected in the fact over 50 percent had one or more persons dependent upon them for their economic well being.

Approximately two-thirds were either currently married or had previously been married and were currently separated because of divorce, death, or separation and 25 percent were of other than white ethnic groups.

More than half the clients reported that their disability became an employment handicap before they reached age of 30, many of whom faced the prospect of countless years of unproductivity unless some rehabilitative assistance was rendered.

How were they disabled? About two-thirds had disabilities caused by diseases, one-eighth were congenitally handicapped, and accidents accounted for another one-fourth of the disabilities. The enumeration of the causes of disability manifestly suggest that we need to intensify our medical and preventive accident research programs if we are to lessen the sources of disability and thereby reduce needless work losses.

Their problems were numerous, for in addition to loss of income and employment, many reflected the stresses and strains of long periods of inactivity in terms of family problems, deterioration of health, and problems of social maladjustment.

RECOMMENDATIONS AND CONCLUSIONS

The effects of physical disabilities are fairly well understood, but the solutions to the problems of improving the economic status of the people involved are not as readily apparent. Several recommendations, however, are almost self-evident.

First, there is continued need for expanding State and Federal programs of rehabilitation. The economics of successful rehabilitation programs underscore this recommendation, since on the one hand it is possible to restore to useful and productive lives countless numbers of persons who are currently condemned to an existence characterized by wasteful neglect and unemployment, and at the same time reduce the sizable costs of maintaining the disabled on public assistance programs. The experience of rehabilitation suggests that tax returns contributed by those rehabilitated are approximately 10 times the amount spent on the rehabilitation process, let alone the huge savings incurred by terminating public expenditures for support. And in order to expand rehabilitation programs it is concurrently necessary to increase the number of skilled and trained practitioners in the medical, social, and vocational aspects of rehabilitation to keep pace with program expansion, for without experienced staff, progress in this area will be impeded.

The passage of Public Law 565 by the 83d Congress was intended to result in a great expansion of vocational rehabilitation programs which could have resulted in greatly augmented service to these low-income groups. There is great misunderstanding concerning the actual effect of this law upon vocational rehabilitation, and I do not feel this statement would be complete without some comments on this problem.

One of the things badly needed was some means of developing a greater degree of uniformity among the 48 different vocational rehabilitation programs. As it stands, there is wide disparity among the States as to the manner in which they conduct their programs and more important as to the particular segment of the handicapped population they choose to serve. It is quite possible for a State to build up a program with heavy emphasis upon young, minimally handicapped students who will present the least problem to the agency. Others may choose to concentrate on medical care, resulting in a rapid turnover of cases where the only service rendered is payment of medical bills. Others may choose to serve the

lower income groups who usually are the more severely handicapped. Public Law 565 actually weakens the influence of the Federal Office of Vocational Rehabilitation in bringing about any degree of uniformity in selection of cases, and it is our belief that a reasonable amount of consistency would insure greater service to those cases whose need is greatest.

Financially speaking, while the dollar appropriations have increased under Public Law 565, the actual effect has been to greatly increase allocations to the low-income States while reducing them to the so-called high-income States. Superficially, this appears to be a reasonable approach but in practice it is going to mean a much slower development of many State programs since it is going to be necessary to greatly increase State participation just to hold the line on the admittedly inadequate program of 1954, which is the base year. We believe there is need to reconsider the variable grant formula which is affecting adversely certain State vocational rehabilitation programs.

Another unfortunate feature of the present administration's program in this area is the emphasis upon numbers served without regard to the nature of the cases served. A goal of 200,000 rehabilitated cases a year has been set which in the opinion of many will result in an even greater weakening of quality of service in order to meet a numerical goal. Before any such goals were set, it should have been apparent that standards for the guidance of the States were necessary and these are conspicuous by their absence in the new law and regulations.

Second, it is apparent that the preventive health programs require expansion and at the same time a wider scope of medical services must be made available to the indigent population. Too often rehabilitation agencies are confronted with stark evidence of years of neglect and nontreatment of disabling conditions, which under a more adequate, comprehensive program of medical care could have been treated earlier and perhaps ameliorated before assuming such serious proportions.

Third, educational programs have to be expanded so there becomes greater awareness and acceptance of the desirability and favorable economics of hiring the handicapped inasmuch as industrial resistance and employer reluctance still constitute problems in placement.

Fourth, efforts must be undertaken to maintain full employment so that jobs are available to the increasing numbers of currently disabled persons who are potentially rehabilitable.

Fifth, it is desirable to maintain for the industrially injured more adequate programs of workmen's compensation so that industrial injuries result in less severe reductions in income.

Sixth, it is desirable for rehabilitation agencies to improve relationships with potential referral sources, public welfare, disability insurance, and workmen's compensation agencies, and others so that the disabled can be referred as early as possible and thereby retrained and rehabilitated in the shortest possible time. and finally, it is necessary to increase our body of knowledge and research activities in the field of vocational rehabilitation so that benefits accrued from our increasing skills and experience are made available and disseminated to the professionals in this field.

These are our proposals and suggestions. Their implementation, in our opinion, will result in vast strides in reducing the economic impact of physical disability and in lessening the problems of low income which confront this Nation.

PERCY J. TREVETHAN, EXECUTIVE SECRETARY, GOODWILL INDUSTRIES OF AMERICA, INC.

INTRODUCTION

The increasing concern for the maintenance of the welfare of all of our citizens is fast becoming a national problem of considerable proportion. Forces inherent in our national economy from both a governmental as well as a private viewpoint, are placing in a rather sharp focus the conclusion that a stable and satisfactory national economy must be concerned about the welfare of all of its constituent groups. The present study of this committee with its emphasis upon the size, the need, and the development of remedial programs for those who are in the low income or marginal level, is seeking to project certain procedures which will improve the standard of living for those with recognized need. The advisability and timeliness of this study is important and we who are associated with Goodwill Industries appreciate this opportunity to record our interest in this matter.

GENERAL STATEMENT

It is clear to all concerned that no single paper can deal adequately with all the phases of study and areas of observation. The problem is too large for individual treatment. A valid procedure would seem to indicate the advisability of co-operative effort and report with evaluation and coordination being reserved for later action. The importance of this study is clear to all having relationship to it and in the advent that relief and improvement in living conditions for our low-income group can be provided, we shall have taken a long and important step in the improvement of our national welfare. Accordingly, within this area of reference we would like to record our position.

AREA OF REPORT

In the previous paragraph we indicated, somewhat, the very large scope of this study and the many segments to be observed and reported on. The experience of our organization during the last 50 years, for Goodwill Industries were first organized in 1902 by Dr. E. J. Helms, in Boston, Mass., has been related to the needs of the handicapped. In the early years the range of service was wide but in these later years, particularly since World War II, our program has been related to providing vocational training and employment for physically handicapped persons.

It is not necessary to set forth the condition of this group. Denied employment by normal industry, burdened with loss of one or more normal faculties, unwanted by some of their fellow men, economically dependent upon State or private charity, they find life both difficult and unrewarding. For them Goodwill Industries has had a growing concern.

PRESENT STATUS

Beginning with one Goodwill Industries in 1902, there are presently organized and operating 115 units in the United States. Each local Goodwill Industries is an autonomous organization operating under a charter granted by the State in which it operates, and having its program of services geared to the needs and resources in the community. Operating under this democratic procedure, Goodwill Industries provided training and employment for 23,500 persons in 1954. This figure represented an increase of over a thousand persons from 1953. About 85 percent of these people were handicapped by blindness, deafness, defective speech, orthopedic disabilities; mental, emotional, or social handicaps, and age or infirmity. These workers, whose length of stay with the organization varied from a few weeks to a longer period according to their need, earned more than \$12 million in wages during 1954. Even more remarkable, they didn't live on subsidy for they paid \$1,648,000 in Federal social security and income taxes during the same period. This service was rendered at a cash cost of only \$633,124 provided by local Community Chests and community funds.¹

Available information indicates that given adequate resources the Goodwill Industries' program could serve, at least, a quarter of a million persons, annually. Here, within the program of Goodwill Industries, is dramatic proof of the ability of a private agency to multiply resources made available to it in terms of wages received, taxes paid, and improvement of the welfare of its personnel.

OBSERVATIONS

It appears to us that the following observations may be relevant to this study:

1. The welfare of all citizens is the concern of all Federal, State, and private agencies.
2. Resident within our low-income group is the capacity for a considerable percentage of this number to improve their situation through self-help programs.
3. Meaningful, useful and valid employment is essential for individual welfare.
4. Recognition must be given to the fact that while programs of assistance for this group may be costly, yet the return by way of economic security and taxes paid will exceed the cash expenditures for these services.
5. The task of providing these remedial services is so large, no single agency can assume the responsibility for service to all. Hence, the necessity for cooperation rather than duplication with full recognition of the responsibilities, contributions, and services provided by both public and private agencies.

¹ Above figures taken from our 1954 annual report.

6. No study of this problem can ignore the personal factor. A useful, self-sustaining place in society is the normal aspiration of most individuals. To deny the opportunity for the attaining of this position and relationship is to establish economic segregation. In a free and democratic economy there is no room for such a procedure.

7. And finally, no nation is stronger than its people. If an important segment of our citizenry is denied an opportunity to be helped into a position where they can by their own efforts earn a substantial part of the cost of their support, we are in that sense contributing to a weakening of our national defense. When necessary billions are being spent for arms, surely resources can be developed to support programs whose objective is the welfare of the individual. Out of such service is the moral strength and fiber of a great free nation created and maintained.

ABILITIES, INC.,
West Hempstead, N. Y., October 20, 1955.

Hon. JOHN SPARKMAN,
Chairman, Subcommittee on Low-Income Families,
Joint Committee on the Economic Report,
Congress of the United States, Washington, D. C.

MY DEAR MR. SPARKMAN: I deeply appreciate your kind invitation on behalf of the Subcommittee on Low-Income Families to present my views as an individual for your consideration. In view of the objectives of your committee, it would seem to me, that the relation between disability and dependency should be emphasized. Whenever a person is removed from the labor force because of a disability, that individual, his family, the community, and the Nation experience a substantial loss. Included in this loss, is income to support oneself and one's dependents, purchasing power, payment of taxes and the loss of productive effort. As a result, the disabled person eventually becomes dependent upon his family, relatives, or the public. Therefore, disability can become a major cause of dependency in our country.

It is wrong to believe that disability requires idleness. Through application of modern rehabilitation techniques, handicapping effects of disability can be reduced or overcome, so that most disabled persons have substantial productive capacity. Rehabilitation is always moving forward. Advancements in medical rehabilitation now make it possible to restore disabled persons for industry. This was not possible several years ago. Examples of this are in paraplegics, who work from their wheelchairs, the epileptic, even in the cases of cerebral palsy.

It is a fallacy to think only in terms of physical fitness with reference to occupational fitness. Every individual has certain limitations. These are not only physical but they include factors such as education, environment, emotion, etc. Few, if any, jobs require the entire span of human capacity.

Help is needed as far as employer acceptance and public education is concerned. Our disabled people encounter difficulty in securing employment because of mistaken concepts about disability. We need continuing emphasis on reducing employer resistance until such time as disabled people will be considered on the basis of their ability to perform a job and not whether they can pass a physical examination. It is the full measurement of their abilities that will count and not their disabilities.

We cannot meet the social and welfare problems of the Nation by continuing to remove increasing number of persons from the labor force, either because of age or disability and requiring them to become dependent upon the family or the taxpayers. We must work toward increasing production and to increase production means to utilize more and more of our manpower potential, not to relegate it to subsidy and idleness.

Regardless of the extent of Federal and public support of rehabilitation, this effort only attains maximum results when the community itself takes an interest in its disabled and decides to do something about it. Industry too, must assume a substantial responsibility in the community effort and this includes labor and commerce as well as industry. In New York City, we have established a Just-One-Break Committee of substantial businessmen, who are concerned with the problem and are doing something about it for the past 6 years. This they accept, as a community responsibility, which included the reeducation of their colleagues in commerce, industry and labor, to understand what their responsibilities are to provide opportunity, not subsidy for our disabled people.

The protection of workmen's compensation is not entirely adequate in all instances and in all States to assure the employer of protection since even in the

instance of second-injury funds, many types of disabled persons are not covered by this type of protection. There is a need for constant attention at the State level to a revision of the existing compensation laws which would keep pace with the programs of rehabilitation being sponsored by the States and Federal Governments and by medical rehabilitation sources.

I should like to, with respect, call your committee's attention to the fact that a labor shortage, not a surplus, is being viewed by many as the long-term problem for the American economy. By 1965, or perhaps before, our population is expected to reach 190 million, but the proportion of persons from 20 to 64, that is the productive working years, will increase by only 8 million, which is less than a third of the total increase. This is a result of the low birthrate of the 1930's.

The handicapped worker, who has frequently been forced to develop special talents to compensate for physical disability, will find himself able to compete on equal terms with the physically robust, when the job is one of monitoring and automatic machines, which many people predict will be the work level for that era.

I have attached to this memorandum, a copy of the second annual report of Abilities, Inc., a company employing only severely disabled people. It indicates an outstanding record of achievement, productivity and of new wealth added to the community, although all of its people are severely disabled to such an extent that they could not find employment elsewhere.

I am grateful for the opportunity to submit these comments and I hope that they will be of some use to you and your colleagues on the subcommittee.

Sincerely yours,

HENRY VISCARDI, JR.

THE STORY OF ABILITIES AND ITS PEOPLE—2 YEARS OF PROGRESS

(Excerpts from 1952—Second Annual Report—1954)

LETTER TO THE COMMUNITY

When anyone in the past has attempted to predict the long-term future, his forecast has turned out to be hopelessly shortsighted and pessimistic. The progress of new courses of action and inventiveness is always underrated.

This company even in the eyes of the handful of men who founded it but 2 years ago has been viewed with similar myopia. There have been times when we have forgotten that our economic orbit is not shaped by inventions, Government spending, or any of the host of business indicators but by human courage, desires, and incentive.

The life of but one disabled American crying out to know his heritage, the sweet dignity of a productive life has been our prime concern. No honors, no pensions, no parades, or subsidy can replace the wishes of every person who has known disability, to live and work in dignity, in free and open competition with all the world. Not as a different person but rather the same as others.

Our employees are crying for this right to be the same. They both want to be and should be considered as the ordinary people they really are, each according to his individual capacities and abilities, each with his compensating qualities to offset the extremes of physical makeup, is the same as anyone else in the world.

Today as we reevaluate our experience, rich and unsuspected byproducts are in evidence. The accumulated experience of our successes and failures will provide a pattern for the utilization of our precious human resources, our disabled people. It will provide, we pray, an example for other communities to follow.

While we bring dignity and happiness to our fellow citizens, we are defining the calculated risk involved in the employment of the disabled. We have established not only a demonstration of what an aroused community is capable of accomplishing but a laboratory where this unique experience can be analyzed and recorded for the benefit of commerce, industry, and labor throughout the free world.

We express our deepest gratitude to our friends and neighbors who have helped us to recognize these great principles and to the companies who have guided us and have provided us with the opportunity to bid on contracts.

To our employees whose sense of purpose and devotion has allowed us to establish this record of achievement, on behalf of the members of this corporation and ourselves as well, we extend our thanks.

By order of the board of directors:

August 31, 1954.

HENRY VISCARDI JR.,
Chairman.

OUR HISTORY

Two years ago this company was founded in a vacant garage in West Hempstead, Long Island, N. Y. The beginnings were traditionally humble. In August of 1952, the entire company was Art Nierenberg, now plant superintendent and Hank Viscardi, president and general manager.

Equipment consisted of an old drafting board, which was strictly a prop borrowed from a neighbor's cellar, a fly swatter, and a telephone.

When the first employees were interviewed, the junior chamber of commerce borrowed bridge tables and chairs from the nearby fire company. This was later supplemented by a desk and some chairs from an abandoned coal yard.

By September of 1952, the first production line was started, lacing cable assemblies. Three new employees were hired. The company then consisted of five employees including its president. Among the 5, there was but 1 usable leg. It belonged to a boy whose other leg was disarticulated at the hip and whose arm was off at the shoulder. He was affectionately known as the leg man. He swept up at night. Among the 5 there were but 7 usable arms.

The working capital was \$8,000 in funds borrowed at interest from local citizens, which has been repaid.

The total original working area was confined to 2,600 square feet of floor space, which was later expanded to two locations and finally consolidated into the present 13,000 square feet of manufacturing space in August 1954.

The original 5 by that time had grown to approximately 140 employees.

RESEARCH IN HUMAN ENGINEERING

Our company has no facilities for engineering research and development. It is unlikely that any outstanding new electronic devices will result from our efforts. The atomic mousetrap will not come off our drafting boards.

We do, however, bend all our efforts to specialize in a new technique. The development of the individual and the fullest use of his abilities, known and measured.

For years we have practiced a theory of matching the man with the job as the usual concept of placement. We place the man in the best available job at the time. We are beginning to realize that there are rich advantages in changing the work to fit the worker.

It is likely, however, that the future success in job placement will be in recognizing that neither the worker or the job is a fixed quantity. Both are changeable, do change and can be improved.

It is in this field of human engineering that the greatest possibilities for research can be developed. The basis for a 3-year study has been initiated to determine our successes and failures with our disabled employees. These results, honestly evaluated, will be our greatest contribution to American commerce and industry.

This recorded experience will one day encourage other communities to follow our example and create similar companies. It will enable many industries to consider with reasonable assurance of success the employment of severely disabled people.

WHAT MADE ABILITIES GROW

Abilities, Inc., has grown because its people from the officers down to the last worker, cerebral palsied, amputee, paraplegia, blinded, all have a sense of purpose in their work, a sense of usefulness and importance. They possess the elements of greater production which cannot be bought; enthusiasm, initiative, loyalty, devotion of heart and mind. These are priceless ingredients which make for a great productive team.

This company has grown because it is in essence the demonstration of an aroused American community which refuses to relegate its disabled workers to the slagpile of human resources. Our lifeblood is the community represented officially in our advisory board of directors and the family of companies for whom we work. They have constantly provided training, guidance, and counsel, helping us to grow and meet the challenges they have expected of us.

This company has grown because it belongs to the community. Founded as a membership corporation, its profits remain with the corporate structure to perpetuate the purposes for which it was created as a community corporation.

Commerce, industry, and labor have helped to establish this as an American ideal to challenge the belief in permanent helplessness, not as another charity nourishing at the public breast, but as a legitimate business operating in full

and open competition, perpetuating its existence on its ability to operate competitively at a profit.

THE ABILITIES IDEA

Traditionally, if we have thought at all of employment for our disabled people, our broadest concept has been in the most sedentary occupations. Too frequently it has just been at the level of weaving rugs, caning chairs, or making baskets.

Our manufacturing policy has been completely opposite. From the outset we have determined that we would build a variety of highly skilled and competitive operations with as many customers as possible. While doing this we continue to draw our labor supply exclusively from the severely disabled rejects of our community.

The difficulties in this policy are many but the rewards are great. Constant training of our disabled workers in new skills and investment in new equipment has been required. But we have to some degree insulated our position against the possibility that a customer finding himself short of orders would cancel our contracts. A variety of skills has allowed for an expansion on a broad field with a variety of companies as customers.

Two years ago we had three contracts with but three companies. Today we are operating 121 separate contracts for a dozen or more companies. Our total customer list is three times that number.

It has been much more difficult to grow in this fashion. The rewards have been rich. Not only have we an anchor to windward for the future, but our people have developed an increasing variety of skills to sell themselves in the labor market with other companies.

HOW ABILITIES FITS INTO OUR AMERICAN ECONOMY

New wealth to community

Goods produced.....	\$401, 000
Salaries.....	198, 000
Social security taxes.....	7, 000
Withholding taxes.....	19, 000
Disability taxes.....	2, 000
New York State unemployment insurance.....	5, 000
Federal unemployment insurance.....	555
Real-estate taxes.....	1, 500
Hospitalization.....	2, 500
Group life insurance.....	1, 100
Medical expenses.....	4, 500
Total.....	641, 155

THE COMFORT, HEALTH, AND SAFETY OF OUR PEOPLE

I. All of our permanent employees are now covered by company paid life insurance, hospitalization, and surgical benefits programs.

II. We have added to our departments of industrial medicine, physical medicine, and rehabilitation. Space has been provided and plans are now in action for the development of departments of dentistry, ophthalmology, and podiatry.

III. A 3-year research and 2-year followup study is being prepared to determine the changes in our people physiologically and sociologically, our methods engineering approaches, what we have done for disabled workers to make the difference between success and failure.

IV. A company credit union has been chartered and is successful.

V. Our safety research now includes a company fire brigade, an employee safety council, and a safety training program.

VI. Prosthetic care under our medical consultants has included providing artificial limbs and braces as well as wheelchairs for our people.

VII. A formalized recreation program has been developed.

VIII. We have instituted a unique development of in-plant feeding which provides a varied menu at nominal cost.

ARE WE INDUSTRIALLY DISABLED?

Safety and attendance

	Unimpaired workers	Abilities, Inc.
Days absent per 100 scheduled working days.....	3.3	0.031
Days paid sick leave per 100 scheduled working days.....	1.3	.037
Average days lost per injury per 100 scheduled working days.....	.13	.01
Days of disability per injury.....	14.3	6.0

PLANS FOR THE FUTURE

I. To continue growth in skills, equipment and personnel to an ideal maximum which will meet the needs of our community.

II. To expedite our long-range research program so that our experience may be offered to encourage other communities in establishing similar plants.

III. To build a combined recreation-rehabilitation facility for our employees which will enrich their leisure hours and provide both recreation and therapy not otherwise available.

IV. To provide an even greater demonstration to our colleagues in commerce, industry and labor so that they will offer more opportunity to disabled workers.

V. To establish in our plant a fellowship and conference seminar program so that key personnel from other communities may be trained to carry on this work elsewhere.

VI. To integrate a policy which will encourage our skilled people to leave us for better jobs in other companies in order to provide opportunities for others on our long waiting lists.

CREDO

"I do not choose to be a common man. It is my right to be uncommon—if I can. I seek opportunity—not security. I do not wish to be a kept citizen, humbled and dulled by having the State look after me. I want to take the calculated risk; to dream and to build, to fail and to succeed. I refuse to barter incentive for a dole. I prefer the challenges of life to the guaranteed existence; the thrill of fulfillment to the stale calm of utopia. I will not trade freedom for beneficence nor my dignity for a handout. I will never cower before any master nor bend to any threat; it is my heritage to stand erect, proud and unafraid; to think and act for myself, enjoy the benefit of my creations and to face the world boldly and say, this I have done. For our disabled millions, for you and me, all this is what it means to be an American."

AMERICAN HOSPITAL ASSOCIATION,
WASHINGTON SERVICE BUREAU,
Washington 6, D. C., November 23, 1955.

Senator JOHN SPARKMAN,
Chairman, Subcommittee on Low-Income Families,
Joint Committee on the Economic Report,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR SPARKMAN: Your subcommittee is to be warmly commended for its decision to hold hearings as a part of its continuing study of the problems of low-income families. This is a timely subject of great importance. Through the medium of congressional hearings, public attention will be focused to a much greater degree on these problems which should concern all our citizens.

I should also like to commend the committee and its staff for its excellent report, Characteristics of the Low Income Population and Related Federal Programs. This is an invaluable document. It presents statistical material and objective analyses in an understandable and usable form. It has reduced to basic facts the problems of the low-income families.

Historically, the American Hospital Association has been vitally concerned with this very same subject. We believe that the experience of the association in working out solutions to the problems of financing hospital care for low-income groups should be of interest to your committee. It is with this purpose in mind that I have written you this letter.

It is precisely in this low-income group that the need for health care is greatest. The magnitude of the problem can be appreciated when it is realized that authoritative estimates on the numbers of low-income or needy families range from over 5 million to at least 11 million persons, depending upon the criteria used.

Current statistical reports of the Department of Health, Education, and Welfare set public assistance recipients at almost 5 million. To this figure should be added more than 300,000 general-assistance cases. A few weeks ago Mr. Joseph P. Anderson, executive secretary, National Association of Social Workers, declared in an address to the National Conference on the Churches and Social Welfare, that America still has 11 million persons unable to meet the basic needs of living.

The aged comprise a very large portion of the total number of persons in the low-income and nonwage categories. In any discussion of the broad problems that affect the whole low-income group, the problems of the aged should receive special attention. According to the latest figures released by the Bureau of Public Assistance, Department of Health, Education, and Welfare, America's population of persons over 65 was 14.2 million in June 1955. Of this number 2.5 million are receiving old-age assistance or more than one-half of the total number of public-assistance recipients. Statistics also demonstrate that the number of aged persons is increasing about twice as fast as the normal population growth in other age groups.

The rapid growth of the aging population has great significance to hospitals. At a time when such persons generally have less income and are less able to pay for their hospital care, they use about 2.5 times as much hospitalization (days per person per year) as the rest of the population under 65, in general and allied special hospitals. Moreover chronic illnesses afflict the aged to a greater degree than any other group. Since the majority of the aged are living on sharply reduced limited incomes, they soon become indigent from any appreciably long illness.

Current methods of financing hospital care for low-income and needy families are inadequate. In great measure they are the reasons for the financial difficulties in which this Nation's voluntary hospitals now find themselves. It was out of a growing concern for the problems involved in bringing within the reach of the public, modern quality hospital care that the American Hospital Association took a number of constructive measures, some of which are briefly discussed herein. In November 1951 it established the Commission on Financing Hospital Care. This commission, an independent nongovernmental body, made a 2-year study and published its findings in a 1954, 3-volume report entitled, "Financing Hospital Care." Copies of this report have been furnished by the association to your committee.

A second measure is to foster and support the enactment of the Hill-Burton Act. Under this legislation the Federal Government through grants-in-aid and on the basis of demonstrated need, assists the States, local governments, and nonprofit organizations to construct vitally needed hospitals and related health facilities. The experience of this program has convincingly shown that the States with the greatest health needs were the least able to meet them. Unmet health need was marching hand in hand with financial distress. The Hill-Burton program has been a boon to the American people in promoting better health care.

Sponsorship and approval of the nonprofit Blue Cross plans by the American Hospital Association is another such constructive measure. These plans are voluntary member organizations serving humanitarian purposes. Their basic objective is to promote the health of the public. By spreading the cost and risk of hospitalized illness over all those covered, many persons who would otherwise be unable to pay for their care when they become ill, are able to budget against the costs of such care. Large numbers of persons who might have neglected illness now secure hospital services as the need arises.

Many plans were started with funds originally advanced by community chests, hospitals, and other philanthropic agencies. In 1954, 1 out of every 4 persons in the United States was covered by Blue Cross plans. Of the total number of participants 79 percent are covered on a group basis and the balance on an individual basis. Of the latter, three-fourths were originally covered as members of a group and continued their coverage on an individual basis after leaving a group. As a community organization, Blue Cross plans have been generally available to all. There has been no effort to seek out low-risk groups through offerings of preferential rates. There has been an effort to provide adequate hospital care uniformly to all members of the communities they serve.

The last measure which I should like to bring to the attention of the committee is the fact that within the association, councils and committees comprised of eminent and distinguished men and women have been working hard for the past year and a half to develop proposals and, if possible, legislation which would provide a more adequate measure of health care to low-income and needy families. Out of their deliberations have come two sets of principles which this association has approved and believes should be incorporated in drafting legislation to provide health services to these persons. Attached are copies of both sets of these principles for the information and consideration of your committee.

In general, these principles recognize that the Federal Government has a positive role in assisting needy families and aged persons to have access to adequate health care. They recognize as well that the head of each family is primarily responsible for meeting the health needs of his dependents. But when he is unable to do so this responsibility involves not only State and local governments but also the Federal Government.

The Federal Government's role, as proposed, would be to encourage and stimulate the States through grants-in-aid programs to provide such vitally needed health services. Participation by local communities would be sought to the fullest extent possible. Eligibility of needy persons would be extended to include all such persons as they are now defined and determined in each State; it should not be limited to the four public-assistance categories of the Social Security Act. Real existing need determined locally would be the test. No additional characterization or physical handicaps would also be required.

In conclusion I wish to state that the association believes that it is increasingly important to develop a program to provide health services for the needy and aged persons of this country. It further believes that the attached principles provide appropriate guide lines for the drafting of needed legislation to accomplish this purpose.

I would deeply appreciate your incorporating this letter in the hearings of your committee on the problems of low-income families.

Sincerely yours,

KENNETH WILLIAMSON,
Associate Director.

GUIDING PRINCIPLES IN DEVELOPING LEGISLATION FOR THE HEALTH NEEDS OF THE AGED

Approved by board of trustees, June 23, 1955

1. The program should recognize that a large part of the aged population requires financial assistance in meeting its health needs. Aside from the needy aged, who should be eligible on an insurance basis or otherwise for free health services, the program should afford assistance to as many of the aged as practicable, without regard to their individual financial resources, in purchasing health insurance on a reasonable contributory basis.

2. Voluntary health insurance organizations cannot absorb, at usual subscription rates, the aged persons not now enrolled, because of excessive utilization by such persons. The best approach to meeting the health needs of the aged, however, is through assisting the States to enable voluntary health insurance to cover such persons at the same rates as are charged to other people. Such a plan, involving Government contributions, should be limited to nonprofit health-insurance organizations.

3. The cost of covering aged persons under nonprofit health insurance should be divided between the Federal Government, the State governments, the voluntary plans, and the individuals to be benefited. Federal legislation should provide for grants-in-aid to the States, on a variable matching basis, for this purpose. Federal and State funds should pay substantially the whole of the cost of excess utilization by the aged.

4. The aged person should pay the same subscription charges as younger nongroup subscribers, but should receive a contract not cancelable by the plan.

5. Health insurance for the aged, particularly when it is paid for in substantial part by Government, should provide exclusively for service or full-payment benefits. Despite the needs of the aged for more extensive benefits, therefore, the program should be limited initially to those benefits which can now be provided through insurance on a service or full-payment basis. The program should provide for studies and experimental projects to develop practicable methods of expanding the scope of benefits, with a view to enlarging the program as rapidly as possible.

6. At the outset, each State should require participating health insurance plans to provide 30 days of hospital service. At the option of the State it might also require participating plans to provide medical and surgical care during such hospitalization. Where health-insurance plans are not statewide in operation, the program for the aged might not be uniform throughout the State.

7. As a condition of participation, nonprofit health-insurance plans should be required to open their membership widely (and to advertise that they are doing so) to persons over 65 years of age who are not then group members, regardless of whether they have been members in the past. At the outset, a plan should be required to accept all applicants in the area over that age who apply within 2 months, subject only to limitations (health questionnaires, age limits, etc.) calculated to exclude not more than, say, 25 percent of them. Thereafter, it should be required to accept all applicants in the area who apply within 2 months after they reach age 65, or after they leave group membership if that happens later, subject to limitations calculated to exclude not more than, say, 10 percent of them.

8. The amount of the Government contribution should be fixed by each State, but should be not more than 95 percent of the excess of the cost of benefits for the aged group (excluding administrative expense) over the subscription charges, thus leaving the plans to absorb administrative expense plus at least 5 percent of the excess cost. The Government contributions should apply to all members over 70 years of age, regardless of past membership, and between ages 65 and 70 should apply to new members taken in after age 65, in accordance with the invitation outlined above.

9. The arrangement should be terminable after a certain period either by the State or by the nonprofit plan, in which case the noncancelability provision in individual contracts should cease to apply.

10. The program should be administered federally by the Surgeon General of the United States Public Health Service, with a council having authority to approve regulations. It should be administered in the States by the State health agencies, except for approval of contract forms and subscription rates which is commonly vested in insurance commissioners. State plans should be submitted for Federal approval.

11. The program should provide that the Federal Government will not direct or control the quality of care or the method by which it is provided to aged persons, and will not direct or control organizations or individuals furnishing such care.

THE STATE VOLUNTARY-ASSISTANCE PROGRAM TO PROVIDE HEALTH SERVICES TO RECIPIENTS OF PUBLIC ASSISTANCE

Approved by board of trustees mail vote June 22, 1955

STATEMENT OF PRINCIPLES TO BE CONSIDERED IN LEGISLATION

1. The recipients of health services shall be defined as those persons who are on the public-assistance rolls in each individual State.

2. The program shall avoid any direct payment by the Federal Government to the individual recipient or to any institution or individual providing health services.

3. The grant of Federal funds shall be to a single State agency.

4. The administration of funds may be handled by the State agency in one of the following three ways:

(a) The State agency may arrange for coverage of the recipients of health services through the mechanism of nonprofit voluntary health-insurance organizations.

(b) The State agency may arrange for nonprofit health-insurance organizations to act as administrative agencies to be reimbursed for the cost of health services rendered and agreed costs of administration.

(c) If, in the judgment of the State agency, administration of the program of health services required by persons on public-assistance rolls cannot be provided under paragraphs (a) or (b) above, then the State agency may arrange for direct payment to institutions and individuals rendering health services. This might be handled through the pooled-fund method.

5. Any grant-in-aid program with Federal funds being matched by the States should, to the extent possible, provide for matching by the political subdivisions of the States.

6. The percentage of Federal participation for Federal funds on a matching basis should vary with the wealth of the State, ranging from 33½ to 75 percent. There should be no stated dollar limit on the Federal grants.

7. The legislation shall provide for the issuance of administrative regulations and such regulations should provide for minimum standards of health care to be provided.

8. Responsibility for the administration of the program shall be vested in the Surgeon General of the United States Public Health Service.

9. The legislation shall set forth the broad general principles under which the States may participate in the program. Each State, to participate in the program, must submit a State plan in accordance with detailed specifications provided by the Surgeon General as outlined in these broad principles.

10. There shall be an advisory council composed of eight members appointed by the secretary. Four of the 8 members shall be persons who are outstanding in fields pertaining to hospital and health activities and the other 4 members shall represent the consumers of hospital services and shall be persons familiar with the need for hospital services in urban and rural areas. The Surgeon General shall consult with and submit all specifications and administrative regulations to the advisory council for approval.

11. As one of the possible methods of encouraging the States to participate in the provision of care for public-assistance recipients, a special pool of Federal funds shall be established to be administered by the Surgeon General for the purpose of conducting studies of experience under the act and to determine improvements in care rendered.

13. The State plan should provide for general standards of administration.

14. A State plan must provide that it shall be in effect in all political subdivisions of the State and, if administered by them, be mandatory upon them.

15. The legislation shall provide for an advisory council within each individual State in the same manner that such council is provided for at the Federal level.

16. Federal funds appropriated under this act may be used only for the provision of health services to recipients of public assistance and for no other purpose. Federal funds may not be used as a substitute for present appropriations for health services, except in States which now provide for full cost of health services.

Senator SPARKMAN. I would like also to insert excerpts from a very interesting report published by the Welfare and Health Council in New York City.

(The report referred to follows:)

A FAMILY BUDGET STANDARD FOR THE USE OF SOCIAL AND HEALTH AGENCIES. IN NEW YORK CITY

Prepared by The Budget Standard Service, a cooperative organization sponsored by the Welfare and Health Council for the purpose of pooling the technical resources of member agencies for the development of budget standards, collection of retail prices, and related services, 1955

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FOREWORD

The Welfare and Health Council of New York City, as the planning and coordinating agency for welfare and health services in the city, has been keenly aware of the need for a revised and up-to-date family-budget standard for use by agencies providing such services. It has, therefore, sponsored research in the development of such a standard in cooperation with contributing member agencies, both public and private.

Cooperative efforts in the development, pricing, and interpretation of budget standards began with the establishment of the New York Budget Council, 1922, which represented a variety of agencies particularly concerned with the problem. These agencies contributed personnel to the joint effort of developing a standard and of pricing it. In 1949 the Budget Standard Service, formerly the New York Budget Council, was brought into the Welfare and Health Council. This cooperation has proved the most efficient method of collecting the data and information which agencies and the community have needed. It has avoided costly, duplicating activities, and has developed more reliable standards than would have been possible had the work been done by only one agency. The cooperative work of the Budget Standard Service and the council in developing a sound standard will assure its adoption by many community agencies and promote its use for specific purposes.

The need for a family-budget standard has increased during the last score of years as the functions and responsibilities of welfare and health agencies, public and private, have broadened from an almost exclusive concentration on indigent and marginal income families to a wider concern for all income groups in the community.

The granting of financial assistance and care to indigent individuals and families is the primary duty of the public welfare department. The New York City Department of Welfare uses the mandatory standard established by the New York State Department of Social Welfare for all public-welfare departments throughout the State.

Many voluntary and public agencies provide social services for which fees may be charged on the basis of ability to pay. Welfare and health services, such as casework, medical and nursing service or psychiatric care, and programs providing homemaker services, summer camps, day nurseries, and foster-home care are available to the marginally self-supporting group and to higher income groups as well. Therefore, provision of these services to individuals and families in the community, regardless of economic status, requires the establishment and use of a standard for evaluating the economic position of families in need of such services. The total cost of the family-budget standard offers a measure of ability or inability, in terms of the family income, to pay a fee for the service rendered.

Designed for a variety of purposes, the family-budget standard should be interpreted and adapted as necessary to fit specific requirements of individual agencies. The principal purposes for which it is intended are as follows:

1. To provide current reference materials on family living costs, typical requirements, retail prices, and related data.
2. To provide a basis for establishing equitable fee scales consistent with ability to pay for services rendered by public or voluntary welfare and health agencies, and to determine eligibility for free services.
3. To facilitate counseling on problems of family financial management.
4. To provide budget material for inservice training programs.

PART I. CONCEPT OF THE BUDGET STANDARD

This family-budget standard provides a measure of the cost of living requirements in New York City for self-supporting families of given size and composition. It contains a representative list of annual purchases sufficient to maintain current standards of adequate consumption at low cost. The quantities specified conform to standards based on scientific knowledge of average requirements for good nutrition and health, insofar as purely physical needs have been determined, and to social standards that have been revealed by studies of actual family purchases. The kinds of goods and services priced and used in the calculation of costs are typical of purchases made by families in the low to moderate income groups. The merchandise of progressively better quality and higher price that is customarily purchased by families in the middle and upper income groups would cost considerably more.

The pooled judgment of a team of experts has been utilized to interpret existing factual information on standards and costs of living. The pertinent facts were then summarized as an itemized budget of goods and services. Although the list specified is a fair representation of actual purchases, it should not be interpreted literally, as if the cost estimates would cover only these particular items. Other items may be purchased for the same cost provided their average price does not exceed the average price of items appearing in the budget. At this economic level, however, families must generally restrict their purchases to essential quantities of goods in the lower price lines.

This is not an ideal budget in the sense of showing what families ought to have or how they should apportion their expenditures among different kinds of goods and services. Probably no one family would spend its income in exactly this way. Many spend more, some spend even less, to achieve the same general level of consumption. The budget standard merely serves as a yardstick of average needs and average costs, according to standards and prices prevailing at the time the estimates were prepared.

Costs and standards of living

Most of us think of our cost of living as the cost of what we need, having in mind some irreducible minimum of goods and services required for everyday living. Our standard of living reflects our personal ideas about what these needs are and, in addition, what we enjoy and strive to obtain. Both concepts have somewhat different meanings to different people, because our opinions of the necessary minimum are formed by our life experiences, our tastes, and our pocket-books. The common factors among these influences on members of the community determine the prevailing standard of living and this, in turn, affects the individual's judgment about what is required. Thus the standard of living, and consequently its cost, changes from time to time, responding not only to changes in prices but to changes in income, customs, and the availability of new products at prices the majority can afford to pay.

Like public opinion, the prevailing standard of living is a complex of individual responses to commonly experienced situations. The food we eat, the kinds of clothing worn, and whatever we do for entertainment or recreation are chosen individually. The choices are never exactly the same for any 2 families, nor for any 1 family in successive years. Recognition of this fact is essential for sound budget counseling. Human needs are variable; moreover, nobody wants to live in a budgetary straitjacket. Families vary their expenditures to meet new or unusual needs, to avoid monotony, perhaps even to preserve a sense of individuality in an economy organized for mass production and consumption.

Yet there is an unmistakable core of similarity in the choices made or opinions formed among a large group of families, because as members of the community we have many common motivations and experiences. We are influenced by a need to conform to current ways of doing things and by the desire to enjoy what we see others enjoy. Market offerings, though rich in variety, are by no means unlimited, and there is only so much time to select and use the things we buy. Factors such as these affect the buying habits of all families and produce a general pattern of consumption popularly known as the American standard of living.

Government surveys of family incomes and expenditures, made at different periods in the past 50 years, have blueprinted both the typical choices of consumers in a given period and the degree to which choices of individual families deviate from the typical. Spending patterns have been analyzed statistically to determine how they may differ according to income, family size, occupation, race,

region, and size of community. It is well established that the controlling factor is income or, more precisely, income in relation to family size and such place-to-place differences as may exist in the money cost of first-priority items like food and housing. Regional differences in consumption and even the distinct urban-rural differences, formerly believed to stem from firm cultural patterns, are gradually disappearing as the traditional income differentials associated with them have become less pronounced and as expanded means of communications have developed the nationwide market. There is evidence to support the popular belief in a national standard of living, in the sense that people everywhere seem to want much the same things. For, as income barriers are progressively removed, consumers enlarge the scope of their buying in a fairly typical pattern.

It appears that the standard of living develops gradually, as income permits, to satisfy commonly felt needs for, first, a satisfactory quantity of good and services, then an increasing variety and, last of all, progressively higher quality. Common observation suggests such a scale of priority in the satisfaction of wants, but it was not until the consumer surveys were analyzed especially to show the relative importance of these factors in the expenditures of families at different economic levels that we had an objective basis for defining what the self-supporting consumer considers an acceptable minimum standard at a given point of time.

The city worker's family budget

In 1945 a Congressional Committee on Labor and Federal Security instructed the United States Bureau of Labor Statistics "to find out what it costs a worker's family to live in large cities of the United States." Accordingly, the Bureau with assistance from a technical advisory committee undertook an extensive research program to determine what, in the judgment of the community, constituted the necessary minimum of goods and services purchased annually by city workers' families.

The data considered as objective evidence of requirements included (a) the results of scientific studies bearing on the relation between family consumption and individual and community health, and (b) the judgment of families themselves as revealed by the choices made between increasing the quantity of goods consumed or raising the quality of their consumption, as purchasing power expands. The fundamental quantity standards indicated by these separate criteria were found to be in substantial agreement. They form the basis for the city worker's family budget, for which cost estimates were published by the Bureau of Labor Statistics for 34 cities in periods between 1946 and 1951.

The original report on the city worker's family budget merits careful reading. There is space here for only the following excerpts, which provide a good summary description of the level of living represented by the quantity budget:

"This is not a 'subsistence' budget, nor is it a 'luxury' budget; it is an attempt to describe and measure a modest but adequate standard of living.

"It is compiled from standards of calories and vitamins determined by scientific experiment; from housing standards involving a larger element of judgment, but still independently arrived at by experts in housing needs; and from standards that are revealed by the ways in which people actually spend their money.

"It can best be described as a single point on a scale of living patterns that ranges continuously from a mere existence level to levels of luxurious living where the consumer is almost surfeited with goods. The point selected for measurement is in general the point where the struggle for 'more and more' things gives way to the desire for 'better and better' quality. Above this level, for example, the average family is likely to be more interested in escaping from an endless round of the cheaper cuts of meat than in increasing the number of pounds of meat that it buys. Below this level, on the other hand, people find it harder and harder to economize, being unable to shift extensively to cheaper commodities and therefore forced to 'do without.'"

Social and health agencies in many large cities have found that the cost of the city worker's family budget marks a significant dividing point in their clients' ability to meet normal financial obligations. Families whose incomes are sufficient to maintain this level of living usually can pay their bills or use credit to tide them over all but emergency situations, such as catastrophic illness in the family. Those with lower incomes, however, seldom have financial resources to fall back on in critical periods, and they are less able to pay for services from social and health agencies even though their incomes are sufficient for financial independence at a marginal level.

After 1951 the Bureau of Labor Statistics discontinued the series of cost estimates, based on changes in prices alone, pending revisions in the quantity budget

to take account of changes in the standard of living during the past decade. Lack of funds to make the necessary detailed tabulations of the 1950 Survey of Consumer Incomes and Expenditures caused an unexpected delay in revising the city-worker's family budget. However, it is hoped the Bureau soon will be in a position to continue the basic research in this field of study.

Description of the budget standard

The present family budget standard is a revision of the standard prepared by the Budget Standard Service in 1949, to correspond to the level of living represented by the city of worker's family budget and to incorporate other sources of new information on family living requirements. The latter include consumer surveys made in 1948 and 1950 by Federal research agencies, recent revisions in standards of nutritional requirements, and statistics showing the utilization of medical services by persons enrolled in prepaid medical plans. Standards for each category of expenditure were developed from these materials by methods described in part II. With the exception of food and housing, for which authoritative national standards have been determined, the general procedure was to check the current validity of the city worker's family budget (for a family of four persons) in relation to more recent factual information pertaining to consumer needs and practices in New York City, to make such adjustments as appeared to be needed, and to develop equivalent budgets for other family types.

The quantity and quality specifications given in part II describe the level of living explicitly. A brief description of things included in the budget for a family of 4 persons (husband, wife, a boy of 13 years of age and a girl 8) will illustrate the kind of living provided. The family lives in a rented private apartment or house containing four rooms, kitchen and bath. The dwelling is equipped with hot and cold running water, central heat, electric lights, gas or electric cookstove, and mechanical refrigerator. The home is in a reasonably safe neighborhood for children, with schools and other community facilities within walking distance or easily accessible by public transportation.

The great majority of dwellings in New York City meet these qualifications. Monthly rentals for unfurnished apartments or houses of this size range from less than \$40 to more than \$100; the average rent in October 1954 was about \$56. Additional housing expenses include utilities, supplies of soap and cleaning materials, and the occasional purchases of furniture, sheets, towels, etc., needed to maintain household inventories.

The employed husband travels to work by subway or bus and buys his noonday meal in cafeterias or inexpensive restaurants. The wife, as mother and homemaker, looks after the children and performs the usual household tasks of cooking, cleaning, and laundry without paid assistance. The customary mechanical aids that enable her to carry out these tasks without undue physical strain are a part of the standard; these are the washing machine, electric iron, and vacuum cleaner.

The food budget is consistent with authoritative nutritional standards designed to provide adequate nutrition at low cost. The individual foods priced and used in the calculation of costs are typical of selections made in this region by families in the low to moderate income groups. They allow considerable leeway for variety in meal planning and use of the most popular processed foods that reduce the work of meal preparation—for example, cake or pudding mixes, canned and frozen foods as well as fresh, bakery products, and ice cream.

Clothing purchases fill average requirements for inventory replacements each year. For example, the husband buys either a topcoat or an overcoat about every 3 years, a suit nearly every year, and each year about 2 pairs of trousers, 4 or 5 shirts, 2 pairs of shoes, 12 pairs of socks, etc. The wife buys some kind of coat every other year and each year at least 1 hat, 4 or 5 dresses, 2 pairs of shoes, 10 pairs of nylon stockings, and other items. The teen-age boy has a new jacket and a new suit once a year, about 3 pairs of trousers, 5 shirts, 3 pairs of shoes, 12 pairs of socks, etc. The 8-year-old girl has a new hat every year, a new coat, 4 new dresses, 3 pairs of shoes and 12 pairs of socks. Including repairs and dry cleaning, the family clothing costs amount to nearly \$450 a year at today's prices.

Barber and beauty shop services used for personal grooming are virtually limited to haircuts—about once a month for males and once every 3 months for females. The home permanent wave kit and inexpensive cosmetics usually supply the wife's beauty treatment. Other personal care items include shaving supplies, dentifrice, toilet soap, toothbrushes, sanitary supplies, combs, and hairbrushes.

Medical care costs are budgeted on the assumption that each member of the family will need, on an average basis, the services of a physician 4 or 5 times a year and approximately 2 dental services a year. Possible hospital bills are insured by

a family membership in the Blue Cross Hospitalization Plan. Other needs—refraction, eyeglasses, X-ray and laboratory tests, prescriptions and drugs—are included in the total cost estimate according to their annual incidence among a large group of families. In some years the family will not need this volume of medical care; in other years it will need more. The budget concept implies that the savings effected in good years will be reserved for use in years when the incidence of illness in the family is exceptionally high.

Transportation is by subway or bus. About 20 fares each week are used for the normal needs of a family of this type. Studies of family expenditures show that an automobile is part of the standard at this level of living in most cities of the United States, but in New York City public transportation is accepted almost universally as the cheapest and most convenient form of travel within the city. Train or bus fares for the family vacation at nearby summer resorts are additional.

The family owns a radio, buys a daily newspaper, a few magazines and books. Their expenditures for movies and other paid admissions amount to nearly \$60 a year. Television is not included in the present budget because the facts about ownership and its effect on other recreational costs at this level of living are not yet available. The annual cost of television would not greatly exceed the cost of movies, however, and families often choose this source of entertainment in the home in preference to regular movie attendance.

Tobacco purchases are included at average prewar consumption rates, the cost of which is equivalent to 3 or 4 packages of cigarettes a week—enough to supply 1 moderate smoker. In this and other cases, costs are necessarily based on average use, which reflects the fact that some families purchase a given commodity in greater amounts than others.

Minimum incidental expenses of children attending public school represent the small fees required for participation in athletic and social activities at school, writing supplies, and graduation fees. Gym suits and graduation attire are included with children's clothing.

Family expenses for communications are based on the cost of a telephone in the dwelling, and supplies for a few personal letters and greeting cards.

A modest life-insurance policy for each family member is considered essential to provide funds for private burial. The policy on the life of the breadwinner also provides a small emergency fund to tide the family over a brief period. Typical union dues are included to represent the usual occupational expenses of employed persons.

Contributions to the church and welfare organizations, gifts to relatives and friends, and "miscellaneous" family costs are estimated in proportion to the total cost of goods and services, as in the city worker's family budget. The percentages are based on the Bureau's study of average expenditures reported for these items in relation to all other specified costs at the level of consumption represented by the budget.

Savings are not included in the cost-of-living estimates, except for the life insurance described above and the contributions required of nearly all workers for Federal old-age and survivors insurance and New York State disability insurance, which are in a sense a substitute for savings. Government workers and many industrial workers are required to pay 3½ to 5 percent of their gross earnings into retirement funds, some of which are in addition to Federal social insurance. Amounts set aside for retirement or for direct savings programs, such as regular additions to savings accounts or purchase of Government savings bonds, are necessarily related to the financial situation of the individual family. It is felt that no useful purpose would be served by making an arbitrary allocation for savings in this budget for general application.

Sales taxes on commodities are included in the cost estimates for specific categories of expenditure. Income taxes levied by the Federal and State government also have been estimated to indicate the approximate amount of gross income that would be required to support a family of given size and composition at this level of living.

Differences related to family size and composition

The same level of living is represented in the budgets developed for families of different size and composition. Thus the variations in costs are due to differences in the average requirements of individuals who comprise the family group and the extent to which common costs of maintaining the home are shared by two or more persons.

For example, a family with 2 teen-age boys has higher costs than the family with 2 preschool children because the requirements of food, clothing, transportation, recreation and the like are higher for children in the older age groups; never-

theless, the 2 families need the same type of dwelling, equipment and supplies for household operation. For this reason the detailed quantity-cost schedules are presented for categories that vary according to the needs of individual family members by factors such as age, sex, degree of physical activity, family status and employment status; whereas expenditure categories that vary primarily with size of family are shown by number of persons. The variables taken into account in preparing cost estimates for various types of families are listed below:

Food	Laundry, cleaning supplies
Clothing and personal care	Medical care
Transportation	Age, sex, activity, employment status
Recreation, education, communications, tobacco	Age, sex, employment status
Life insurance	Family status, employment status, age of children
Union dues	Family status, age of children
Rent including heat	Employment status
Utilities	Number of persons in household (1 to 8)
Housefurnishings	

The budgets for all types of households (single consumers as well as family groups of two or more persons) specify rented, unfurnished housekeeping apartments or houses. Food costs are thus calculated on the basis of prices and amounts required when food is purchased and prepared for meals at home. Although this type of living arrangement is not so clearly typical of single consumers as of family groups, it is believed that cost estimates for single consumers, based on the requirements of an individual living in a small housekeeping apartment, are representative of average costs for the group as a whole. Costs of the standard would be a little lower if based on shared living quarters and somewhat higher if based on a single furnished room and nutritionally adequate meals in boarding houses or restaurants. When it is necessary to itemize a budget for a person living in a furnished room, the standard may be adapted by substituting the room rental and cost of meals "out" for costs based on the occupancy of an unfurnished two-room apartment. Prices of meals in chain cafeterias and low-priced restaurants are collected annually by the Service; costs of clothing, recreation, etc. can be adapted from the budget standard for appropriate items.

Housing costs of homeowners, including taxes, maintenance repairs, insurance and mortgage interest, generally are no higher than rent for comparable quarters. The budget costs based on rented living quarters should adequately cover homeowners' average costs for these items. Payments on the principal of a home mortgage should be considered on an individual basis, like other fixed costs in the nature of savings or investment.

Cost in relation to family incomes

What proportion of families in New York City have incomes sufficient to maintain the level of living represented by the budget standard? This question can be answered only in very general terms by comparing annual costs of the budget standard for families of specified size with the distribution of income among families of corresponding size.

The published income distributions for New York City in 1950 are insufficient for this purpose because they do not show separate figures for families classified by number of persons. However, it has been possible for the Service to make some roughly accurate comparisons of the budget costs for representative types of families with unpublished detailed tabulations of income by size of family furnished by the Bureau of Labor Statistics from its 1950 Survey of Consumer Expenditures.¹

The comparisons indicate that the incomes received by two-thirds of all families and single consumers in 1950 were above the 1954 costs of the budget standard for families of corresponding size. Among families of 2, 3, and 4 persons (comprising nearly 75 percent of all consumer units) more than two-thirds had incomes above the current cost of the standard. Single consumers and large families of five or more persons fared less well; only about half of these groups received incomes that were higher than present costs of the standard.

Considering the fact that personal incomes increased substantially between 1950, when the income survey was made, and 1954, when prices were higher, it is probable that more than two-thirds of all families and single consumers in the

¹ The income data obtained in the BLS survey are considered more reliable for this purpose than the data collected in the 1950 census. Although the census is based on a larger sample, the answers to questions about the details of earnings and other sources of income are more likely to be incomplete than in the more comprehensive studies of family expenditures in relation to income.

city now have incomes that exceed the cost of this budget standard. Such comparisons are useful in relating the budget standard to the distribution of income in a given period, but it must be emphasized that they give only a very general picture. An excellent discussion of the limitations in making broad comparisons between standard budget costs and income size distributions is included in the report on the city worker's family budget.

Use of the report

This technical report has been planned to provide information on typical living requirements at low cost for self-supporting families. The general purposes for which the budget standard was developed for use in welfare and health agencies are discussed in the foreword. It is assumed that such adaptations as are required for specific purposes of individual agencies will be made by persons with professional competence in the application of budget standards. If desired, technical assistance may be obtained from the Budget Standard Service.

Cost estimates are presented in different forms according to the general uses for which they are intended:

(a) To aid in the interpretation of the quantity standard for each category of expenditure, costs are shown in part II for the detailed age, sex, and activity groups for which source materials were available for developing the standard. These costs were computed to the nearest cent by multiplying the quantities specified by representative prices for corresponding items.

(b) The conventional cost summaries showing average amounts for food, clothing housing, etc., are presented for representative types of families in part III.

(c) The cost schedule for planning budgets in part III is designed for the use of professional staff in preparing adaptations for agency use, for budget counseling with individual families, or as reference material for inservice training programs. Cost summaries similar to those shown for representative family types may be assembled from this schedule for any type of family.

(d) The short form for calculating total costs of goods and services by type of family, in part III, has been devised for analysis of the differentials in total costs according to family size and composition. Although the short form does not show detailed costs by category of expenditure, it provides a useful summary of the net differences for various age, sex, and activity groups. Using this form the total cost of goods and services included in the standard may be computed quickly for any type of family. The table of costs may be simplified even more by combining averages for age and sex groups for which the differences in cost are considered insignificant for a given purpose.

Minor differences in total family costs, as computed from the cost schedule and the short form, are due to the rounding of figures to the nearest 5 cents on the cost schedule, or to the combination of children's age groups on the short form.

TABLE 1.—*Food: Weekly quantities (as purchased) for 19 age-sex-activity groups*¹

[Adapted from the Food Plan at Low Cost, published by the U. S. Department of Agriculture, Home Economics Research Branch]

Age, sex, activity	Leafy, green, yellow vegetables		Citrus fruits	Tomatoes		Potatoes		Other vegetables		Other fruits	Milk equivalent	Meat, poultry, fish	Number of eggs	Dry beans, peas, nuts		Cereal and flour		Bread, baked goods		Fats and oils		Sugar and sweets			
	Lb.	Oz.		Lb.	Oz.	Lb.	Oz.	Lb.	Oz.					Lb.	Oz.	Lb.	Oz.	Lb.	Oz.	Lb.	Oz.	Lb.	Oz.	Lb.	Oz.
Child:																									
9 to 12 months	1	0	1	8			1	0		1	0		5	0	7		0	5		0	4	0	1	0	1
1 to 3 years	1	12	1	8	0	4	1	0	0	12	12		5½	1	12	6	0	8		0	12	0	2	0	2
4 to 6 years	1	12	1	4	0	8	1	8	0	12	1	0	5½	1	8	6	0	2		0	12	1	8	0	4
7 to 9 years	2	0	1	8	0	8	2	8	0	12	1	8	5½	2	4	6	0	4		0	12	1	12	0	6
Girl:																									
10 to 12 years	2	4	1	12	0	8	2	12	0	12	1	12	6	2	8	6	0	4		1	0	2	4	0	8
13 to 15 years	2	4	1	12	0	8	3	0	0	12	1	12	6½	2	12	6	0	4		2	0	2	8	0	8
16 to 20 years	2	4	1	12	0	8	2	12	0	12	1	12	5	2	12	6	0	4		2	0	2	8	0	8
Boy:																									
10 to 12 years	2	4	1	12	0	8	2	12	0	12	1	12	6	2	8	6	0	4		1	0	2	8	0	12
13 to 15 years	2	8	2	0	0	8	3	12	0	12	2	8	6½	2	12	6	0	8		1	0	4	0	1	0
16 to 20 years	2	12	2	0	0	8	4	12	1	0	2	8	6½	2	12	6	0	8		2	5	5	0	1	4
Woman:																									
21 to 40 years	2	4	1	8	0	8	2	12	0	12	1	12	4	2	12	6	0	4		1	4	2	4	0	12
41 to 64 years	2	4	1	8	0	8	2	4	0	12	1	12	4	2	12	6	0	4		0	12	2	0	0	10
65 and over	2	4	1	8	0	8	2	4	0	12	1	12	4	2	12	6	0	4		0	10	1	8	0	6
Very active	2	8	2	0	0	8	3	8	1	0	1	8	4	2	12	6	0	6		1	12	3	4	1	0
Pregnant	3	0	2	0	0	8	2	12	0	12	1	12	7½	3	4	8	0	4		1	4	2	4	0	12
Man:																									
21 to 40 years	2	8	2	0	0	8	4	0	0	12	2	0	4	2	12	6	0	6		1	8	4	0	1	4
41 to 64 years	2	8	2	0	0	8	2	12	0	12	1	12	4	2	12	6	0	4		1	8	3	0	1	0
65 and over	2	4	1	8	0	8	3	0	0	12	1	12	4	2	12	6	0	4		1	4	2	8	0	14
Heavy work	2	8	2	0	0	8	4	0	1	0	2	8	4	2	12	6	0	10		2	12	4	5	1	8

LOW-INCOME FAMILIES

¹ The nutritional adequacy of these diets depends to some extent upon choices of individual foods within each group. A selection of foods similar to that shown in table 2 provides ample nutrients in terms of the dietary allowances of the National Research Council (1953). See table 3 for calculated values.

TABLE 2.—Weighting plan used to compute average price and nutritive value of each food group (based on typical purchases of urban families in low-to-moderate income groups—New York region)

Food group and item	Per-cent	Food group and item	Per-cent
1. Leafy, green, and yellow vegetables-----	100	8. Meat, poultry, fish—Continued	
Spinach-----	7	Pork:	
Collards-----	2	Shoulder chops-----	11
Kale-----	1	Smoked picnic-----	8
Escarole-----	5	Sausage-----	6
Lettuce-----	20	Poultry:	
Snap beans-----	10	Roasting chicken-----	8
Peas, canned-----	15	Fowl-----	5
Cabbage, green-----	20	Processed meats:	
Carrots-----	20	Bologna-----	4
		Liverwurst-----	4
2. Citrus fruit-----	100	Corned beef, canned-----	1
Fresh oranges-----	70	Frankfurters-----	4
Canned orange-grapefruit juice-----	10	Fresh fish:	
Frozen orange juice-----	20	Porgies-----	2
3. Tomatoes, canned-----	100	Mackerel-----	2
4. Potatoes, white-----	100	Whiting-----	1
5. Other vegetables-----	100	Frozen haddock-----	1
Corn, canned-----	30	Canned salmon-----	1
Onions-----	20	Canned tuna-----	1
Beets-----	20	Canned mackerel-----	1
Turnips, yellow-----	20		
Celery-----	10	9. Eggs-----	100
6. Other fruit-----	100	10. Dried peas, beans, nuts-----	100
Apples-----	45	Pea beans-----	50
Bananas-----	25	Green split peas-----	20
Grapes and pears-----	10	Peanut butter-----	30
Peaches, canned-----	15	11. Cereal and flour-----	100
Dried prunes-----	3	Flour-----	51
Raisins-----	2	Oatmeal-----	19
7. Milk and milk products-----	100	Cornflakes-----	12
Fresh milk, whole (quart)-----	78	Macaroni-----	18
Evaporated (14½-ounce can)-----	12	12. Bread and bakery products-----	100
Cheese, American (pound)-----	5	Bread-----	78
Ice cream (pint)-----	5	Graham crackers-----	3
8. Meat, poultry, fish-----	100	Cake-----	19
Beef:		13. Fats and oils-----	100
Round steak-----	9	Butter-----	20
Chuck roast-----	9	Margarine-----	25
Chopped-----	8	Bacon-----	15
Boneless stew-----	4	Shortening-----	20
Liver-----	3	Oil-----	5
Veal:		Salad dressing-----	15
Roast, boned and rolled-----	3	14. Sugar and sweets-----	100
Breast, bone in-----	2	Sugar-----	70
Lamb:		Marmalade-----	30
Shoulder chops-----	1	Beverages and other accessories (1954 dollar allocation):	
Breast, bone in-----	1	Adults, 68 cents per week.	
		Children 16-20, 45 cents.	
		Children under 16, 10 cents.	

TABLE 3.—Nutritive value per pound of each food group¹

Food group	Food energy	Protein	Calcium	Iron	Vitamin A value	Thiamine (vitamin B-1)	Riboflavin (vitamin G)	Niacin	Ascorbic acid (vitamin C)
	Calories	Gram	Milli-gram	Milli-gram	I. U.	Milli-gram	Milli-gram	Milli-gram	Milli-gram
1. Leafy, green, and yellow vegetables.....	120	6.7	136	3.9	11,122	0.18	0.20	1.4	47.4
2. Citrus fruits.....	150	2.8	87	1.3	527	.25	.08	.8	163.0
3. Tomatoes.....	86	4.5	50	2.7	4,770	.25	.15	3.2	71.2
4. Potatoes.....	318	7.6	42	2.7	70	.30	.12	3.5	48.0
5. Other vegetables.....	194	6.0	103	2.1	590	.12	.15	1.9	36.8
6. Other fruits.....	275	2.7	38	2.2	1,117	.15	.14	1.6	17.9
7. Milk equivalent (quarts).....	654	33.6	1,109	.8	1,602	.29	1.69	.9	.8
8. Meat, poultry, fish.....	1,052	68.5	66	10.2	8,474	.70	1.29	13.3	5.0
9. Eggs (1).....	77	6.1	26	1.3	550	.05	.14	-----	-----
10. Dry beans, peas, nuts.....	1,866	106.4	501	22.9	336	2.39	.96	29.8	3.8
11. Cereal and flour.....	1,698	51.4	108	13.0	-----	1.70	.80	12.0	-----
12. Bread and bakery products.....	1,308	35.8	381	2.7	78	.25	.15	3.6	-----
13. Fats and oils.....	3,161	2.6	52	.3	6,994	.04	.10	.2	8.0
14. Sugar and sweets.....	1,603	.7	16	.4	15	.02	.03	.2	7.8

¹ Average values computed by weighting the nutritive values of individual foods in each group by the percentage distributions shown in table 2. Nutritive values of individual foods were taken from Agriculture Handbook No. 8, U. S. Department of Agriculture. Allowance has been made for loss of nutrients during cooking.

TABLE 4.—Clothing: Average number of articles purchased per year, for 16 age, sex, activity groups

[Articles purchased less frequently than once a year are shown as fractions, which indicate their normal durability and provide a means of prorating their cost to an annual basis. For example, an overcoat lasting 4 years is shown as 1/4, i. e., 1 in 4 years, and 1/4 of the price is included in the annual cost.]

Item	Infant layette	Child	
		Under 2 years	2-5 years
Outer garments:			
Cap, bonnet or hat.....	1	1	1
Snowsuit and hat.....		1	2/3
Coat, lightweight.....		1/2	1/2
Jacket, lightweight.....		1/2	-----
Sweater.....	2	1	1
Dress and slip, or suit.....	1	2	2
Overalls.....		2	2
Shirt, polo.....		2	2
Bathing suit, trunks, or sunsuit.....		2	2
Undergarments:			
Shirt, with sleeves.....	4	2	2
Shirt, sleeveless.....	4	-----	-----
Diapers, dozen.....	3	-----	-----
Training pants.....		5	-----
Panties.....	11	-----	5
Sleeping garments (wrappers).....	4	1	1
Footwear:			
Shoes.....		3	3
Slippers.....		1/3	1/3
Rubbers.....		1	2/3
Galoshes.....		-----	2/3
Socks.....	2	9	9
Miscellaneous:			
Receiving blankets.....	4	-----	-----
Pads:			
Cotton.....	4	-----	-----
Rubber.....	2	-----	-----
Accessories: Percent of yearly replacement cost of above items.....		5	5
Dry cleaning:			
Snowsuit, regular service.....		1	1
Snowsuit, quick service.....		1	1

¹ Water repellent.

TABLE 4.—*Clothing: Average number of articles purchased per year, for 16 age, sex, activity groups—Continued*

Item	Boy aged—		Boy 16 and over—	
	6-11	12-15	In school	Employed
Outer garments:				
Hat, wool felt.....				1
Cap.....	1	1	1	
Overcoat.....				1/4
Mackinaw or peacoat.....	3/4	3/4	3/4	
Topcoat, water repellent.....				1/4
Sport jacket.....				1/2
Jacket, cotton twill.....	1/3	1/3	1/3	
Slicker.....	1/5			
Raincoat, cotton twill.....		1/5	1/5	
Suit.....	1/3	1	1	1
Sweater, pullover.....	2/3	3/4	3/4	1
Slacks:				
Cotton.....	3/2	1	1	1
Corduroy.....	2	3/2	3/2	
Wool mixture.....				2
Jeans.....	1	1	1	
Shirt.....	3	3	3	4
Shirt, polo.....	3/2	3/2	3/2	2
Gym suit (shorts and sweatshirt).....		1/4	1/4	
Bathing trunks.....	1/3	1/3	1/3	1/3
Undergarments:				
Shirt.....	3	5/2	5/2	2
Shorts:				
Knit.....	4	7/2	7/2	
Fabric.....				4
Pajamas.....	1	3/4	3/4	1/2
Bathrobe.....				1/10
Footwear:				
Shoes.....	3	3	3	3
Sneakers.....	1	1	1	
Slippers.....	1/4	1/4	1/4	1/6
Rubbers.....	3/4	1/2	1/2	1/3
Socks.....	10	12	12	12
Accessories: Percent of yearly replacement cost of above items.....	5	5	5	15
Dry cleaning:				
Hat.....				1
Coat (overcoat, topcoat or raincoat).....		1	1	2
Mackinaw.....	1	1	1	
Jacket.....				1
Suit.....	3	2	2	4
Slacks.....		4	4	4
Shoe repairs:				
Half soles and heels.....	3	3	3	3
Lifts, rubber.....				3

1 Prep size.

TABLE 4.—*Clothing: Average number of articles purchased per year, for 16 age, sex; activity-groups—Continued*

Item	Employed man	Elderly man, retired
Outer garments:		
Hat, wool felt.....	1	2/3
Overcoat.....	1/4	1/8
Topcoat, water repellent.....	1/8	1/10
Sport jacket.....	1/5	
Suit, wool worsted.....	3/4	1/3
Sweater, coat type.....	1/4	1/2
Slacks:		
Cotton.....	1	1
Wool mixture.....	1	1
Shirts.....	7/2	5/2
Shirt, polo.....	1	
Bathing trunks.....	1/4	
Undergarments:		
Unionsuit, cotton.....		1
Shirts.....	3	1
Shorts, fabric.....	7/2	1
Pajamas.....	1/2	1/2
Bathrobe.....	1/10	1/8
Footwear:		
Shoes.....	2	1
Slippers.....	1/6	1/4
Rubbers.....	1/3	1/5
Socks.....	12	6
Accessories: Percent of yearly replacement cost of above items.....	10	10
Dry cleaning:		
Hat.....	1	1
Coat (overcoat, topcoat, or raincoat).....	2	2
Jacket.....	1	
Suit.....	4	2
Slacks.....	4	4
Shoe repairs:		
Half soles and heels.....	2	1
Lifts, rubber.....	2	

TABLE 4.—*Clothing: Average number of articles purchased per year, for 16 age, sex, activity groups—Continued*

Item	Girls aged—		Girls 16 and over	
	6-11	12-15	In school	Employed
Outer garments:				
Hat.....	1	1	1	3
Coat, winter:				
Dress type.....				1/3
Tailored type.....	1/2	1/2	1/3	1/3
Coat, spring.....				1/3
Topper, spring.....	1/3	1/3	1/3	
Raincape.....	1/4			
Raincoat.....		1/5	1/5	1/5
Suit.....			1/3	3/4
Sweater.....	1	3/2	1	1/2
Dress:				
Winterweight.....				1/2
Rayon, dress-up.....		1	1	1
Rayon, street.....				2
Cotton.....	3	1	3	2
Skirt.....	1	1	1	1
Blouse.....	1	3/2	2	2
Jeans.....	1			
Slacks.....		1	1	1/2
Gym suit.....		1/4	1/4	
Playsuit.....	1/2			
Bathing suit.....	1/3	1/3	1/3	1/3
Undergarments:				
Shirts.....	2			
Panties.....	4	3	3	3
Brassieres.....		2	2	2
Garter belt.....		1/4		
Girdle.....			1/2	2
Slip:				
Cotton.....	1			
Nylon tricot.....		1	1	2
Sleeping garment.....	1	1	1	3/2
Bathrobe.....	1/5	1/5	1/5	1/4
Footwear:				
Shoes:				
Pump.....				4
Oxford.....	3	4	7/2	
Sneakers.....	1	1	1/3	
Slippers.....	1/2	1/3	1/3	1/2
Boots.....	2/3	2/3	2/3	2/3
Socks.....	12	10	6	
Stockings:				
Nylon (30/45).....		3	4	
Nylon (30/51).....				18
Accessories: Percent of yearly replacement cost of above items.....	5	5	5	15
Dry cleaning:				
Coats.....	1	2	2	4
Suits.....			2	2
Dresses.....		2	2	6
Skirts.....	4	4	2	4
Shoe repairs:				
Half soles and heels.....	3	4	3	4
Lifts.....			3	6

TABLE 4.—*Clothing: Average number of articles purchased per year, for 16 age, sex, activity groups—Continued*

Item	Employed woman	Housewife	Elderly woman
Outer garments:			
Hat.....	2	3/2	1/2
Coat, winter:			
Dress.....	1/4		
Tailored.....	1/4	1/4	1/8
Coat, spring.....	1/4	1/4	1/10
Raincoat:			
Fabric, water repellent.....	1/5		
Plastic.....		1/5	
Suit, wool.....	1/4		
Sweater, coat style.....	1/2	1/2	1/2
Dress:			
Winterweight.....	1/2	1/2	1/4
Rayon, dress-up.....	1	2	1/2
Rayon, tailored.....	2		
Cotton.....	2	1	1
Housedress.....		1	1
Apron.....		1/2	1/2
Skirt.....	1/2		
Blouse.....	2		
Bathing suit.....	1/3	1/5	
Undergarments:			
Unionsuit, cotton.....			1/3
Vests.....			1
Panties.....	3	3	2
Brassieres, good support.....	2	2/3	1/2
Corset.....	2	3/4	1/5
Slips, nylon tricot.....	1	1	1/2
Sleeping garments.....	2/3	1	1
Bathrobe.....	1/4	1/5	1/5
Footwear:			
Shoes, oxford.....	3	7/3	1
Slippers.....	1/2	1/3	1/4
Rubbers.....		1/5	1/10
Boots.....	2/3		
Galoshes.....		1/5	
Anklets.....		2	
Stockings:			
Nylon (30/45).....		10	2
Nylon (30/51).....	12		
Cotton.....			4
Accessories: Percent of yearly replacement cost of above items.	10	10	10
Dry cleaning:			
Coats.....	4	2	2
Suits.....	2		
Dresses.....	4	3	3
Skirts.....	2		
Shoe repairs:			
Half soles and heels.....	3	2	1
Lifts.....	6	3	

TABLE 5.—*Personal care: Services and supplies purchased per year, for 12 age, sex, activity groups*

[If the purchase rate is more or less than a whole number per year, quantities are shown in fractions of years to indicate their normal durability and provide a means of prorating costs to an annual basis. For example, 3/2 means that 3 are purchased in 2 years; 1/5, that 1 is purchased in 5 years. See headnote on table 4]

Item	Description	Infant under 1 year	Child aged 1-5	Child aged 6-11
Toothbrush.....	Child size.....		3/2	
Do.....	Adult size.....			3/2
Comb.....	Plastic.....	1	1	1
Hairbrush.....	Adult size.....	1	1/5	1/5
Haircuts.....	Professional service.....		4	8
Dentifrice.....	Powder, 4½-ounces.....		3	3
Soap:				
Toilet.....	10-ounce bar.....		17	17
Unscented.....	Large bar.....	6		
Shoe polish.....	1½-ounce can.....		1	1
Cleansing tissue.....	Box, 150 double.....	1	3	3
Cotton, absorbent.....	½-pound package.....	2		
Baby oil.....	5-ounce bottle.....	6		
Safety pins.....	Card, 1 dozen.....	2		
Bottles, nursing.....	4-ounce.....	2		
Nipples.....	Large size.....	3		
Nipple caps.....	Plastic.....	2		

Item	Description	Boy, aged 12-15	Boy, 16-20, in school	Em- ployed man or boy	Elderly man
Toothbrush.....	Adult size.....	3/2	3/2	3/2	3/2
Comb.....	Plastic.....	1	1	1	1
Hairbrush.....	Adult size.....	1/5	1/5	1/5	1/5
Haircuts.....		10	12	16	12
Dentifrice.....	Powder, 4½-ounce can.....	3	3	3	3
Soap, toilet.....	16-ounce bar.....	17	17	17	17
Shaving supplies:					
Soap, shaving.....	1¾-ounce bar.....		4	7	4
Shaving brush.....			1/5	1/5	1/5
Razor.....	Safety type.....		1/5	1/5	1/5
Razor blades.....	Package of 12.....		4	8	4
Shoe:					
Polish.....	1½-ounce can.....	2	2	2	2
Brush.....	7-inch.....			1/5	1/5
Cleansing tissue.....	Box, 150 double.....	3	3	3	3
Clothes brush.....				1/5	1/5
Spot remover.....	Carbon tetrachloride, 1 pound.....			1	1
Nail brush.....	Small.....			1	1
Nail file.....				1	1

TABLE 5.—Personal care: Services and supplies purchased per year, for 12 age, sex, activity groups—Continued

Item	Description	Girl aged 12-15	Girl 16 or over in school	Em-ployed girl or woman	House-wife	Elderly woman
Toothbrush.....	Adult size.....	3/2	3/2	3/2	3/2	3/2
Comb.....	Plastic.....	1	1	1	1	1
Hairbrush.....	Adult size.....	1/5	1/5	1/5	1/5	1/5
Haircuts.....	.....	4	4	4	4	4
Dentifrice.....	Powdered, 4 ounce can.....	3	3	3	3	3
Soap, toilet.....	10 ounce bar.....	17	17	17	17	17
Home permanent waves.....	Supply kit.....	1/2	1/2	1/2	1/2	1/2
.....	Refill.....	2	2	4	2	.....
Shampoo and waves.....	Professional service.....	.....	.....	14	12	.....
Bobby pins.....	Car of 28.....	3	3	3	3	3
Wave lotion.....	5 ounce bottle.....	1	1	2	1	.....
Face powder.....	3 ounce.....	1/2	1/2	2	1	1/2
Cleansing cream.....	6 ounces.....	1/2	1/2	2	1	1
Lipstick.....	Medium size.....	1	2	3	1	1
Rouge.....	do.....	.....	.....	1	1/2	.....
Powder puffs.....	Package of 48.....	1	1	2	1	1
Bath powder.....	1 pound.....	1	1	1	1	1
Deodorant.....	1/2 ounce.....	2	3	3	2	2
Nail polish.....	do.....	.....	2	4	1	.....
Polish remover.....	2 ounce.....	.....	2	4	1	.....
Nail brush.....	Small.....	.....	.....	1	1	1
Nail file.....	.....	.....	.....	1	1	1
Compact.....	Loose powder.....	1	1	1	1	1
Sanitary belt.....	Wide elastic.....	1	1	1	1	1
Sanitary napkins.....	Package of 12.....	10	10	10	10	.....
Shoe:.....	.....	.....	.....	.....	.....	.....
Polish.....	1 1/2 ounce can paste.....	1	1	2	1	1
Brush.....	7 inch.....	.....	.....	1/5	1/5	1/5
Cleansing tissues.....	Box, 150 double.....	3	3	3	3	3
Clothes brush.....	.....	.....	.....	1/5	1/5	1/5
Spot remover.....	Carbon tetrachloride, 1-pound bottle.....	.....	.....	1	1	1

¹ Special occasions only.

TABLE 6.—Housing: Average cost of rent including heat and hot water, by number of persons and number of required rooms

[Prices as of October 1954]

Number of persons	Number of rooms	Week	Average cost per month	Year
1.....	2.....	\$11.18	\$48.44	\$581
2.....	3.....	10.87	47.10	565
3.....	4.....	11.97	51.89	623
4.....	5.....	12.97	56.20	674
5.....	6.....	12.97	56.20	674
6 or more.....	6 or more.....	16.00	69.34	832

TABLE 7.—Utilities: Average monthly costs, by size of family

[Prices as of October 1954]

Number of persons	Total	Electricity	Gas	Refrigeration
1.....	\$4.89	\$1.78	\$1.16	\$1.95
2.....	6.40	2.84	1.61	1.95
3.....	7.53	3.50	2.08	1.95
4.....	8.36	3.96	2.45	1.95
5.....	8.81	4.25	2.61	1.95
6.....	9.15	4.47	2.73	1.95
7.....	9.42	4.65	2.82	1.95
8.....	9.67	4.82	2.90	1.95
9 or more.....	9.88	4.96	2.97	1.95

TABLE 8.—Fuel: Average monthly costs

[Prices as of October 1954]

FUEL FOR HEATING WATER

Number of persons	Gas	Fuel oil No. 2	Coal
1	\$1.94	\$2.76	} \$6.05
2	3.49	3.45	
3	5.04	4.14	
4	6.24	4.83	
5	7.64	5.52	
6	8.96	6.21	
7	10.20	6.90	
8	11.25	7.59	
9 or more	12.48	8.28	

¹ Same for all family-size groups.

FUEL FOR CENTRAL HEATING

Size of dwelling	Coal	Fuel oil
5 rooms and bath (1 floor)	\$12.10	\$12.42
5 rooms and bath (2 floors)	14.12	14.49
For each additional room or floor	2.02	2.07

TABLE 9.—Housefurnishings: Estimated annual replacement rates to maintain typical inventories, for 4 family-size groups

[Replacement rates are shown as fractions of years to indicate the normal durability of the article and to provide a means of prorating costs to an annual basis. For example, 1/14 means that one is purchased in 14 years, and 1/14 of the price is included in the total annual replacement cost]

Item	Replacement rates for families containing—			
	1 person	2 persons	4 persons	8 persons
FURNITURE				
Living room:				
Sofa and chair, upholstered		1/14	1/14	1/14
Studio couch	1/14			
Chair, upholstered	1/14			
Chair, upholstered seat	1/14	1/14	1/14	1/14
End table	1/14	1/14	1/14	1/14
Desk	1/20	1/20	1/20	1/20
Bookcase	1/20	1/20	1/20	1/20
Bedroom:				
Bedstead		1/20	3/20	5/20
Bedspring		1/20	3/20	5/20
Mattress		1/15	3/15	5/15
Chest of drawers	1/20	2/20	3/20	4/20
Kitchen and dining area:				
Dinette set:				
Table and 4 chairs	1/20	1/20		
Table and 6 chairs			1/20	
Table and 8 chairs				1/20
Unspecified articles (folding chairs, mirrors, etc.), 9 percent of the annual cost of specified furniture.				
EQUIPMENT AND APPLIANCES ¹				
Electric iron (automatic)	1/12	1/12	1/10	1/8
Vacuum cleaner	1/18	1/18	1/16	1/12
Floor lamp and shade	1/16	1/16	1/14	1/10
Table lamp and shade	1/12	1/12	1/10	1/8
Electric toaster (automatic)	1/12	1/12	1/10	1/8
Unspecified articles (small lamps, electric fan, grill, etc.), 8 percent of the annual cost of specified equipment.				
TABLE AND HOUSEWARES				
Dishes:				
20 piece set	1/10			
35 piece set		1/10		
53 piece set			1/10	
95 piece set				1/10
Glasses	4	6	8	12
Pots and pans	1/2	1	1	3/2

¹ The housing standard provides for a gas or electric cook stove and refrigerator.

TABLE 9.—Housefurnishings: Estimated annual replacement rates to maintain typical inventories, for 4 family-size groups—Continued

[Replacement rates are shown as fractions of years to indicate the normal durability of the article and to provide a means of prorating costs to an annual basis. For example, 1/14 means that one is purchased in 14 years, and 1/14 of the price is included in the total annual replacement cost]

Item	Replacement rates for families containing—			
	1 person	2 persons	4 persons	8 persons
TABLE AND HOUSEWARES—continued				
Garbage pail.....	1/2	1/2	1/2	1/2
Broom.....	1	1	1	1
Dust mop.....	1/2	1/2	1/2	1/2
Ironing board.....	1/10	1/10	1/10	1/10
Clock.....	1/5	1/5	1/5	1/5
Light bulbs.....	4	6	12	14
Clothespins (box 2 dozen).....	1/2	1	1	2
Unspecified articles (flatware, baking utensils, miscellaneous household tools), 19 percent of the annual cost of specified table and housewares.				
TEXTILES				
Rugs:				
Wool and rayon.....	1/25	1/20	1/15	1/10
Cotton, scatter.....		1/8	3/8	5/8
Blankets (all wool utility).....	2/10	4/10	6/10	1
Sheet:				
Double.....			1	3
Single.....	1	2	2	2
Pillow case.....	2/3	4/3	8/3	6
Pillow.....	1/20	2/20	4/20	9/20
Bedspread.....	1/5	1/5	3/5	1
Mattress pad:				
Single.....	1/15		2/15	2/15
Double.....		1/15	1/15	3/15
Towels:				
Bath towel.....	2/3	4/3	8/3	4
Hand towel.....	2/3	4/3	8/3	4
Wash cloth.....	2/3	4/3	8/3	4
Dish towel.....	2/4	4/4	6/4	10/4
Table cloth.....	1	1	1	1
Napkins.....	4/3	6/3	8/3	10/3
Curtains, pair.....	3/3	4/3	6/3	8/3
Unspecified articles: 1 percent of the annual cost of specified textiles.				

TABLE 10.—Laundry, cleaning supplies: Average quantities per year, for 4 family-size groups

Item	Unit	Quantities purchased for families containing—			
		1 person	2 persons	4 persons	8 persons
Laundry: launderette service ¹					
Laundry supplies (alternate): ²					
Detergent.....	19-ounce box	9	18	24	30
Bluing.....	Package of 4	1	2	3	4
Bleach.....	32-ounce bottle	2	4½	6	7½
Starch.....	Pound	1	2	3	4
Cleaning supplies:					
Soap.....	Bar	9	18	24	30
Detergent.....	19-ounce box	4	9	12	15
Bleach.....	32-ounce bottle	1	2½	3	4
Scouring powder.....	Can	9	18	24	30
Metal sponge.....	Package of 3	1	1	2	4
Furniture polish.....	12-ounce bottle	½	¾	1	2
Ammonia.....	32-ounce bottle	1	1½	2	4
Floor wax.....	Quart	1	1½	2	3
Paper supplies:					
Toilet paper.....	1,000-sheet roll	9	18	36	72
Waxed paper.....	125-foot roll	1	3	4	5
Napkins.....	Package of 80	12	24	48	96
Matches.....	Box 275	12	25	36	45
Moth flakes.....	Pound	¼	½	1	2

¹ 1 machine load per person per week with detergent, bluing or bleach supplied at the launderette.

² These quantities may be used to estimate costs for a family having its own washing machine or use of a coin machine without obligation to buy supplies sold by launderette operators.

TABLE 11.—*Transportation: Number of fares and average costs, by family and employment status, and age of children*

[Prices as of October 1954]

Public transportation	Head of household (employed)	Wife or other adult	Child aged—		
			6-11	12-14	15-20
Number of fares					
Within New York City:					
To work.....	¹ 520	(?)			(?)
To school.....					192
Other ²	156	156	52	104	104
Outside New York City: 50-mile round-trip, railroad.....	1	1	1	1	1
Average cost per year					
Within New York City:					
To work (subway fares).....	¹ \$78.00	(?)			(?)
To school (bus fares).....					\$19.20
Other ² (subway fares).....	23.40	\$23.40	\$7.80	\$15.60	15.60
Outside New York City: 50-mile round-trip, railroad.....	3.71	3.71	1.86	3.71	3.71
Total.....	¹ 105.11	² 27.11	9.66	19.31	³ 38.51
Average cost per week					
Within New York City:					
To work (subway fares).....	¹ \$1.50	(?)			(?)
To school (bus fares).....					\$0.37
Other ² (subway fares).....	.45	\$0.45	\$0.15	\$0.30	.30
Outside New York City: 50-mile round-trip, railroad.....	.07	.07	.04	.07	.07
Total.....	¹ 2.02	.52	.19	.37	³ .74

¹ Deduct fares to work if unemployed and not seeking work.² Add fares to work if employed or seeking work.³ Trips for medical treatment, shopping, visiting and recreation.

TABLE 12.—Recreation, education, communications, tobacco: Average quantities and costs, by family and employment status and age of children

[Prices as of October 1954]

Item	Head of household	Wife or other adult	Children				Employed boy or girl living with parents
			Under 6	6-11	12-14	15-20	
RECREATION							
Average quantity per year							
Paid admissions:							
Movies.....	17	17		17	26	52	52
Plays, sports, etc.....	1	1		1	1	1	12
Reading material:							
Newspapers (daily and Sunday).....	365						260
Magazines.....	12	10		4	6	6	24
Books ¹	5	2		2	3	3	24
Radio (purchase and repairs) ²	1						
Average cost per year (dollars)							
Recreation:							
Movies.....	14.45	14.45		5.10	22.10	44.20	44.20
Plays, sports, etc.....	1.80	1.80		1.80	1.80	1.80	21.69
Newspapers.....	17.72						10.40
Magazines.....	2.40	2.00		.80	1.20	1.20	4.80
Books or rentals.....	1.25	.50		.50	.75	.75	6.00
Radio.....	3.97						
Toys, games, hobbies, club dues, etc.....	2.75	2.75	12.00	10.75	10.75	10.75	20.00
School expenses.....				2.40	8.00	12.25	
Tobacco.....	35.00	10.00					35.00
Communications:							
Telephone.....	67.80			.30	.60	.60	1.20
Letters, cards, stamps.....	1.20	.90					
Total.....	148.34	32.40	12.00	21.65	45.20	71.55	143.20
Average cost per week (dollars)							
Recreation.....	.85	.41	.23	.36	.70	1.12	2.06
School expenses.....				.05	.15	.24	
Tobacco.....	.67	.19					.67
Communications.....	1.33	.02		.01	.02	.02	.02
Total.....	2.85	.62	.23	.42	.87	1.38	2.75

¹ 25-cent editions or equivalent cost in book rentals.² Table model, the cost of which is prorated to an annual basis assuming it is used 9 years.

PART III. COST SUMMARIES, OCTOBER 1954

Estimated costs of the budget standard for representative family types

[Prices as of October 1954]

Item	Husband-wife families (husband employed)			
	Parents under 40, child, 3	Parents under 40, boy, 6, girl, 4	Parents under 40, boy, 13, girl, 8	Parents under 40, boy, 16, girl, 13, boy, 10
Food.....	\$20.90	\$24.05	\$27.45	\$35.15
Food at home.....	17.05	20.10	23.50	31.10
Vitamin D Supplement.....	.10	.20	.20	.30
Lunches at work.....	3.75	3.75	3.75	3.75
Clothing.....	5.65	6.85	8.45	11.20
Housing.....	17.05	19.10	19.10	19.90
Rent and heat.....	11.95	12.95	12.95	12.95
Utilities.....	1.75	1.95	1.95	2.05
Housefurnishings.....	1.65	1.95	1.95	2.20
Laundry, cleaning supplies.....	1.70	2.25	2.25	2.70
Transportation.....	2.50	2.70	3.05	3.80
To work.....	1.50	1.50	1.50	1.60
Other.....	1.00	1.20	1.55	2.30
Medical care.....	4.00	5.00	5.00	6.00
Personal care.....	1.40	1.60	1.80	2.45
Other goods and services.....	7.36	8.11	8.95	11.01
Recreation, education, communications, tobacco.....	3.70	4.10	4.70	6.10
Life insurance.....	1.20	1.30	1.35	1.55
Union dues.....	.75	.75	.75	.75
Gifts, contributions, miscellaneous.....	1.71	1.96	2.15	2.61
Total, all goods and services.....	58.86	67.41	73.80	89.51
OASI and disability insurance.....	1.58	1.76	1.90	1.90
New York State income tax.....	.06	.05	.19	.33
Federal income tax.....	4.80	3.90	5.30	5.90
Total including taxes:				
Week.....	65.30	73.12	81.19	97.64
Month.....	283	317	352	423
Year.....	3,396	3,802	4,222	5,077

Estimated costs of the budget standard for representative family types—Continued

Item	Single work- ingwoman, 45, living alone	Elderly cou- ple (retired)	Widow, 25, child, 4	Young cou- ple, both employed
Food.....	\$11.04	\$13.14	\$11.56	\$22.26
Food at home.....	7.29	13.14	11.46	14.76
Vitamin D supplement.....			.10	
Lunches at work.....	3.75			7.50
Clothing.....	3.80	2.60	3.45	6.10
Housing.....	13.85	14.80	14.80	15.90
Rent and heat.....	11.20	10.85	10.85	10.85
Utilities.....	1.15	1.45	1.45	1.45
Housefurnishings.....	.90	1.30	1.30	1.30
Laundry, cleaning supplies.....	.60	1.20	1.20	2.30
Transportation.....	2.00	1.00	.50	4.00
To work.....	1.50			3.00
Other.....	.50	1.00	.50	1.00
Medical care.....	1.35	3.00	3.00	3.00
Personal care.....	.75	.80	.80	1.35
Other goods and services.....	5.52	5.75	5.14	7.81
Recreation, education, communications, tobacco.....	2.85	3.45	3.10	3.45
Life insurance.....	.80	1.10	.90	1.10
Union dues.....	.75			1.50
Gifts, contributions, miscellaneous.....	1.12	1.20	1.14	1.76
Total, all goods and services.....	38.31	41.09	39.25	60.42
OASI and Disability Insurance.....	1.22			2.02
New York State income tax.....	.44			.32
Federal income tax.....	6.10			8.20
Total including taxes:				
Week.....	46.07	41.09	39.25	70.96
Month.....	200.00	178.00	170.00	307.00
Year.....	2,396.00	2,137.00	2,041.00	3,690.00

Cost schedule for planning budgets

[Weekly basis—Prices as of October 1954]

		Food	Clothing	Personal care
Employed man	21 to 40	\$6.65	\$2.30	\$0.60
	41 to 64	6.15	2.30	.60 ¹
	65 and over	5.85	2.30	.60
Retired man	65 and over	5.85	1.40	.45
	21 to 40	5.65	2.35	.60
	41 to 64	5.40	2.35	.60
Housewife	65 and over	5.10	1.20	.35
	21 to 40	5.65	3.80	.75
	41 to 64	5.40	3.80	.75
Employed woman	65 and over	5.10	3.80	.75
	21 to 40	5.65	3.80	.75
	41 to 64	5.40	3.80	.75
Child	Under 1	2.75	.60	.20
	1 to 3	3.20	1.00	.20
	4 to 6	3.90	1.10	.20
Boy	7 to 9	4.70	1.65	.25
	10 to 12	5.45	1.65	.35
	13 to 15	6.50	2.15	.35
Employed boy	16 to 20	7.60	2.60	.45
	16 to 20	7.60	1.35	1.60
	16 to 20	5.25	1.65	.45
Girl	10 to 12	5.75	2.30	.45
	13 to 15	5.70	2.50	.50
	16 to 20	5.70	1.45	1.75

¹ Also may be used for single young adults who are employed and living with their parents.

	Transportation (other than to work)	Recreation, education, communication, tobacco
Head of household	\$0.50	\$2.85
Wife or other adult	.50	.60
Child under 6		.25
Child 6 to 11	.20	.40
Child 12 to 14	.35	.85
Child 15 to 20	.75	1.40
Employed boy or girl	1.75	12.75

¹ Also may be used for single young adults who are employed and living with their parents.

Life insurance

Head of household	\$0.80
Wife or other adult	.30
Child under 10	.10
Child 10 to 20	.15

Occupational expense (full-time job)

Carfare to work	\$1.50
Lunches at work	3.75
Union dues	.75

FOOD MODIFICATIONS

Vitamin D supplement: Add \$0.10 for children under 21 and expectant mothers.

Expectant mother: Add \$1.35 for additional food required during pregnancy.

Nursing mother: Include food cost for infant to cover cost of extra food required by mother.

Very active adult: Add \$1 for man and \$0.80 for woman in an occupation that requires more extensive activity than the standard.

Therapeutic diets: Compute on an individual basis in accordance with the prescription of the physician and agency policy.

Adjustments for size of family—Add to cost of diet:

	Percent
1-person family	35
2-person family	20
3-person family	10

School lunches—if required:

	Day	Week
Elementary.....	\$0.20	\$1.00
Junior high.....	.25	1.25
Senior high.....	.30	1.50

Restaurant meals—if required: Breakfast, 50 cents; lunch or supper, 75 cents (week \$17.50); dinner, \$1.25.

Number of persons in family	Rent including heat ¹	Utilities (electricity, gas, refrigeration)	House furnishings	Laundry, ² cleaning supplies	Medical care
1.....	\$11.20	\$1.15	\$0.90	\$0.60	\$1.35
2.....	10.85	1.45	1.30	1.20	3.00
3.....	11.95	1.75	1.65	1.70	4.00
4.....	12.95	1.95	1.95	2.25	5.00
5.....	12.95	2.05	2.20	2.70	6.00
6.....	16.00	2.10	2.35	3.20	7.00
7.....	16.00	2.15	2.55	3.70	8.00
8.....	16.00	2.25	2.70	4.15	9.00

¹ Or substitute actual rent paid. If heating costs are not included in rent, add as follows:

	<i>Fuel for central heating</i>	
Size of dwelling:		
1 floor:		
5 rooms and bath.....		\$2.85
6 rooms and bath.....		3.85
Each additional room or floor.....		.50

Fuel for heating water

	Gas	Fuel oil No. 2	Coal
Number of persons:			
1.....	\$0.45	\$0.65	\$1.40 any size family unit.
2.....	.80	.80	
3.....	1.15	.95	
4.....	1.45	1.10	
5.....	1.75	1.25	
6.....	2.05	1.45	
7.....	2.35	1.60	
8.....	2.60	1.75	
9 or more.....	2.90	1.90	

² Add \$1.10 for laundry sent out (a) for a man living alone or (b) for a family in which the homemaker has a full-time job or is physically handicapped.

³ Gifts, contributions, miscellaneous: Compute as 3 percent of the total cost of specified goods and services. Add to other costs to obtain total cost of goods and services.

OASI, disability insurance, income taxes: When it is necessary to include these costs to compare the cost of the budget standard with gross income, they may be added as paid or estimated as follows:

OASI: 2 percent of weekly gross earnings up to \$81, or a maximum of \$1.60.

Disability insurance: \$0.30 per week for each earner.

New York State income tax: Use reporting form for incomes under \$5,000. Compute deduction and exemptions on a weekly basis.

Federal income tax: Use employers' Federal tax withholding tables (weekly payroll).

Gross earnings class must be sufficient to cover all taxes, as well as the cost of goods and services.

SHORT FORM FOR CALCULATING TOTAL COSTS OF GOODS AND SERVICES BY TYPE OF FAMILY—WEEKLY BASIS

A. Food, clothing, and other costs that vary with family status, age, sex, and work status of individuals

[Prices as of October 1954]

	Men and boys	Women and girls
I. For families of 2 or more persons:		
Head of family:		
Employed or actively seeking work:		
Under 41.....	\$19.70	\$20.40
41 to 64.....	19.20	20.15
65 and over.....	18.90	19.85
Retired or not seeking work:		
Under 41.....	13.70	12.75
41 to 64.....	13.20	12.50
65 and over.....	11.85	10.85
Dependents of head:		
Adult:		
Under 41.....	10.95	10.00
41 to 64.....	10.45	9.75
65 and over.....	9.10	8.10
Child:		
Under 1.....	4.00	4.00
1 to 5 (preschool).....	5.30	5.30
6 to 11 (elementary).....	7.55	7.40
12 to 14 (junior high).....	10.35	9.90
15 to 20 (senior high).....	13.00	11.05
Earners other than head (full-time job):		
Wife of head.....		18.80
Other:		
16 to 20.....	21.20	20.70
21 to 40.....	20.30	20.70
41 to 64.....	16.45	17.45
65 and over.....	16.15	17.15
II. For persons living alone:		
Employed or actively seeking work:		
Under 41.....	20.80	20.40
41 to 64.....	20.30	20.15
65 and over.....	20.00	19.85
Retired or not seeking work:		
Under 41.....	14.80	12.75
41 to 64.....	14.30	12.50
65 and over.....	12.95	10.85

B. Housing and other costs that vary with size of family

	Total	Rent, including heat and hot water	Utilities, furnishings, medical care, etc.
1 person.....	\$17.25	\$11.20	\$6.05
2 persons.....	20.15	10.85	9.30
3 persons.....	22.75	11.95	10.80
4 persons.....	24.05	12.95	11.10
5 persons.....	25.90	12.95	12.95
6 persons.....	30.65	16.00	14.65
7 persons.....	32.40	16.00	16.40
8 persons.....	34.05	16.00	18.05

C. Miscellaneous

Three percent of total cost as computed from sections A and B. (See the following.)

INSTRUCTIONS FOR USING THE SHORT FORM

To compute the total cost of goods and services for a specific type of family:

1. Add appropriate costs for each family member according to his family status, age, and work status (sec. A) to the cost in section B for the given size of family.

2. Multiply the sum by 1.03 to include the 3 percent allocation for typical gifts, contributions, and miscellaneous family costs.

Examples

<p>A. Head: Husband, employed, 38----- \$19. 70</p> <p>Dependents:</p> <p>Wife, 35----- 10. 00</p> <p>Boy, 13----- 10. 35</p> <p>Girl, 8----- 7. 40</p> <p>Other costs, family of 4----- 24. 05</p> <p style="text-align: right;">71. 50</p> <p style="text-align: right;">×1. 03</p> <p>Total----- 73. 65</p>	<p>C. Head: Husband, employed, 52----- \$19. 20</p> <p>Dependents:</p> <p>Wife, 48----- 9. 75</p> <p>Girl, 16----- 11. 05</p> <p>Other earners: Boy, 19----- 21. 20</p> <p>Other costs, family of 4----- 24. 05</p> <p style="text-align: right;">85. 25</p> <p style="text-align: right;">×1. 03</p> <p>Total----- 87. 80</p>
<p>B. Head:</p> <p>Widow, 25----- 12. 75</p> <p>Child, 4----- 5. 30</p> <p>Other costs, family of 2----- 20. 15</p> <p style="text-align: right;">38. 20</p> <p style="text-align: right;">×1. 03</p> <p>Total----- 39. 35</p>	<p>D. Widow living alone, 68----- 10. 85</p> <p>Other costs, 1 person----- 17. 25</p> <p style="text-align: right;">28. 10</p> <p style="text-align: right;">×1. 03</p> <p>Total----- 28. 95</p>

NOTE.—OASI, disability insurance, and income taxes are not included in these costs. Average costs of rent, heat, and hot water are shown separately for the convenience of those who wish to substitute actual rents paid by individual families.

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Senator SPARKMAN. If there is nothing further, I want to express great appreciation to all of you for participating in this discussion. I have found it most interesting and informative. I know it will be helpful to the subcommittee in making up its final report.

Thank you very much.

The subcommittee stands in recess until 10 o'clock tomorrow morning, at the old Supreme Court room.

(Whereupon, at 4:20 p. m., the subcommittee recessed until Saturday, November 19, 1955, at 10 a. m.)

LOW-INCOME FAMILIES

SATURDAY, NOVEMBER 19, 1955

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON LOW-INCOME FAMILIES OF THE
JOINT COMMITTEE ON THE ECONOMIC REPORT,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. Richard Bolling presiding. Present: Grover W. Ensley, staff director, and Eleanor M. Snyder, staff economist.

Mr. BOLLING. The subcommittee will be in order.

This session will be devoted to discussion of the general topic Increasing Educational and Training Opportunities of Members of the Low-Income Population.

I am sure we all recognize that the quality and extent of education received plays a significant role in the development and utilization of everyone's capacities; all too often lack of education results in low earning capacity.

Today we are entering a long period of expanding educational needs, but with currently inadequate school facilities, plant and equipment, and teaching staff.

It is, indeed, unfortunate that we could not have delayed this subcommittee's hearings until after the White House Conference on Education, which commences November 28. We are very happy, however, to have the United States Commissioner of Education, Mr. Samuel Miller Brownell, as our first witness this morning. The other witnesses of this morning's session are as follows:

Mr. Douglas W. Bray, staff associate, conservation of human resources, Graduate School of Business, Columbia University;

Mr. Hugh Masters, director of continuing education, University of Georgia;

Mr. James McCaskill, director, division of legislation and Federal relations, National Education Association, Washington, D. C., representing Mr. William G. Carr, executive secretary of the National Education Association.

Mr. Roland R. Renne, who was to be with us, is unable to be here.

At this point I will state we will insert his full statement in the record.

(The complete statement of Mr. Renne is as follows:)

SUMMARY STATEMENT BY ROLAND R. RENNE, PRESIDENT, MONTANA STATE COLLEGE

There are three major means of increasing the earnings of low-income people: (1) Providing the individual with more property; (2) providing the individual with more and/or better skills, and talents; or (3) increasing the price that the individual receives for his services or the services of his property. Extensive

studies have indicated a high degree of correlation between the years of education received and the economic status of individuals.

Of the three major means of increasing earnings, the second, namely, providing the individual with more and/or better skills or talents, is the most appropriate and the most lasting. This follows from the fact that nonhuman property is depletive in the sense that it may be disposed of or, to put it another way, it is in the nature of a fund which may be sold, whereas a human resource is in the nature of a flow resource from which only the services may be sold. Consequently, increasing low incomes by providing more and better talents and skills is the most permanent solution of the three major approaches.

The type of education as well as the amount of education affects earning capacity. From a policy standpoint we should promote those types of education which provide services that are in short supply and/or in greater demand.

The improvement of our public schools is one way of improving the lot of low-income families. Some measures which could be adopted to improve schools in low-income areas include (1) an active, intelligent, and receptive citizens' committee cooperating with the school board and the school administrators to analyze school problems and develop effective solutions; (2) consolidation of school districts to provide larger secondary school units; consolidation does not necessarily provide cheaper education, but better education for the same money; (3) better school facilities and more competent teacher personnel, with adequate programs of teacher preparation and in-service training; (4) more adequate financial support of local schools to provide adequate salaries, curriculum offerings, facilities, and equipment. This more adequate support should represent a combination of local, State, and Federal funds, worked out on a basis to equalize as nearly as possible the educational opportunities of all youth regardless of their geographic location or the income status of their families.

There is no reasonable doubt that, in general, individuals can be made more productive through education and technical training. When individuals are made more productive, society, as a whole, becomes more productive. Gains from increased productivity tend to be generated or spread to the whole economy and are not limited to those whose productivity has been increased. Since society gains through the alleviation of poverty, general responsibility for leadership in such a program should come from the Federal Government.

Low-income problems cannot be alleviated completely through increased educational opportunities, but certainly education becomes more and more important in progressive agricultural and industrial undertakings. The problem today in adult education is the shortage of personnel to work with individuals, as well as through mass media facilities.

It seems doubtful that it would be wise to subsidize all low-income families whose children otherwise would drop out of school before completing high school. More attention needs to be given to testing, counseling, and guidance services. In any event, the child should be given some form of technical or professional training so that he is not forced to drop out of school into a job where his productivity is going to be substandard.

Brains are no respecter of economic status. No doubt there are many low-income youth who have the basic intellect and aptitude for successful scientific and professional careers. Many will not be able to embark on such careers because of a lack of funds for the necessary education.

Failure to capitalize on the gifts of our youth is a social loss. Society gains through the adequate scientific and professional preparation of those who have the basic intellect and capacity for it, just as society loses from expenditures devoted for training those who do not have the capacity. It is not enough to make scientific and professional preparation available tuition free. In many cases, it is necessary to make funds available to cover other costs of higher education, such as board and room, books, and related expenditures.

Education of physically handicapped persons, sick, lame, or blind, has been recognized as a means of rehabilitation and life adjustment. Federal, State, and local funds are provided for the education and related help needed by such physically handicapped persons. Financially handicapped persons perhaps merit equal consideration and extensive nationwide scholarship programs, financed in a large part with Federal funds with particular applications to the youth of low-income families, certainly merits serious consideration.

INCREASING EDUCATIONAL AND TRAINING OPPORTUNITIES OF MEMBERS OF THE
LOW-INCOME POPULATION

(Statement prepared by Roland R. Renne, president, Montana State College)

Question 1. To what extent does lack of education explain why so many persons in the productive-age groups have little or no earnings? Does the type of education received (apart from the number of years of schooling completed) effect future earning capacity?

The earnings of income of an individual are determined largely by two major factors: (1) The amount of wealth-producing property or assets owned by the individual and the price received for the services of those assets, and (2) the skills or talents possessed and the price received for the services of such skills or talents. Consequently, there are at least three alternative means of increasing the earnings of low-income people: (a) Providing the individual with more property; (b) providing the individual with more and/or better skills and talents; or (c) increasing the price that the individual receives for his services or the services of his property.

Extensive studies have indicated a high degree of correlation between the years of education received and the economic status of individuals. The United States Chamber of Commerce has published a revealing document along this line.¹ This and other studies indicate that regardless of the varying abundance of material resources, economic well-being is related to the level of education of people.

Of the three alternative means of increasing earnings, the second, namely, providing the individual with more and/or better skills or talents seems the most appropriate or at least the most lasting. This follows from the fact that non-human property is depletive in the sense that it may be disposed of or, in other words, it is the nature of a fund which may be sold. A human resource, on the other hand, is in the nature of a flow resource from which only the services may be sold. Thus, increasing low incomes through providing more and better talents and skills is the most permanent solution of the three approaches. With greater human capacity resulting from better talents and skills, it could properly be expected that the accumulation of assets of property would follow.

The type of education as well as the amount of education affects earning capacity. From a policy standpoint, we should promote those types of education which provide services which are in short supply and/or in greater demand.

Education may be secured formally through the school system, or informally through reading and self-education. But either way, sincere understanding and appreciation of the problems involved in a successful career in agriculture and the willingness to learn more about the solution of these problems have a direct bearing on the success of the undertaking. Many of us have seen well-educated people fail in farming, but this failure has been due to unwillingness or inability to learn more about the causes of failure.

The improvement of our public schools is one approach to improving the lot of low-income families. In rural areas in many States, more than half of the public secondary schools have less than 300 pupils. The smaller schools have limited staffs and limited course offerings, especially in the area of trade and vocational training. Public schools generally are geared only to provide elementary and secondary education. Limited provisions, if any, are made by public schools for post-high school and adult education. Programs of State assistance to local communities are generally based on the principle of equalization of educational opportunities. Larger amounts of aid are allotted to communities with limited tax resources. Such aid programs seldom reach the maximum of providing equal educational opportunities. Most States are hard pressed to keep up with the increased costs of public education. In general, educational offerings in low-income or low-resource areas are inferior to those in areas with a broader tax base. This structure is further reflected in substandard teacher salaries and equipment and facilities in low-income areas.

Some definite measures which could be adopted to improve schools in low-income areas include: (1) An active, intelligent, and receptive citizens' committee, cooperating with the school board and the school administrators to analyze school problems and develop effective solutions. (2) School district consolidation to provide larger secondary school units. Consolidation does not provide cheaper education as a rule, but better education at little or no increased cost.

¹ See Education—An Investment in People, Chamber of Commerce of the United States, Washington 6, D. C., 1954.

(3) Better school facilities and more competent teacher personnel, with adequate programs of teacher preparation and in-service training. (4) More adequate financial support of local schools to provide adequate salaries, curriculum offerings, facilities, and equipment. This more adequate support should represent a combination of local, State, and Federal support worked out on a basis to equalize as effectively as possible the educational opportunities of all youth, regardless of their geographic location or the income status of their families.

Question 2. Can the low-income problem be alleviated by increasing educational opportunities of members of the low-income group—adults as well as children? Is there economic justification of expenditure of Federal funds for this purpose?

Education and technical skills are part of the production function of individuals. Effort and initiative are, of course, very important but, given some degree of initiative, an individual production function will be higher or lower (more or less fruitful) depending upon the degree of education and training. There is no reasonable doubt that in general individuals can be made more productive through education and technical training.

When individuals are made more productive, society or the economy as a whole becomes more productive. Gains from increased productivity tend to be generated or spread to the whole economy and are not limited to those whose productivity has been increased. Since society gains through the alleviation of poverty, it seems reasonable to assume that such action is partly a function of the Federal Government. Some communities in some States where little or nothing toward a special program of adult education for low-income groups would be accomplished on a strictly local support basis, have done considerable with State and Federal aid. This has been a proven practice in vocational education in which local and State communities spend three or more dollars for every dollar of Federal vocational aid. Federal funds do much to stimulate an effective educational program. The need for this type of special educational effort to reach low-income groups is self-evident. Actually, a few States have State laws which discourage use of public funds for adult education, based on the belief that the public owes a responsibility only for the education of youth.

Those who have worked most closely with programs of adult education have much faith in its effectiveness. Logically, adults can secure more immediate benefits from occupational type education than can in-school youths. There are many more adults than youth in the communities' employable age group. High school youth are frequently unaware of their vocational needs until they have finished high school. If the school has no program of post-high-school education, such youth are stranded. In addition, adult education may be the only way to reach the high school drop-outs who frequently come from low-income families.

Low-income problems cannot be alleviated completely through increased educational opportunities, but certainly education becomes more and more important in progressive agricultural undertakings. Here again, the success of the enterprise is dependent upon the proper balance among the factors of production, namely, land, labor, capital, and management. The cooperative agricultural extension service operated by the United States Department of Agriculture and the land-grant colleges is a strong adult education program and has been a major factor in bringing about the great advances in agricultural efficiency in recent years. The problem today in adult education is the shortage of personnel to work with individuals as well as through mass media facilities.

Question 3. Can the cycle of self-perpetuation of the low-income group be broken by assisting children in these families to remain in school for a greater number of years?

Low-income families and low-income areas do tend to be self-perpetuating. This is partly environmental in the sense that people tend to learn the same things in terms of both general education and skills as did their parents. This may be not only a situation of self-perpetuation, but one of progressive worsening through creation of excessive supply of people for particular occupations. In any case, low-income group status is more acquired than inherited and while families may tend to remain in certain class groups such as low, middle, or upper low-income groups, education and other means do enable individuals and family groups to improve their social and economic well-being.

Both general education and technical training are necessary in erasing the cycle of self-perpetuation. Young folks must be educated and informed so that they are disciplined to recognize and analyze their personal and economic problems. This is a matter of general education. But they must also be put in a position where they are able to take action. They must learn to do something.

They must be given specific training which will lead them to more productive performance. Healthy, properly nourished bodies are a necessary prerequisite to educational advance. Efforts to raise the standard of education among the poor are doomed unless they are accompanied by programs designed to improve medical care and nutrition for these people.

With approximately half of our farm and ranch children ultimately forced into other occupations, there is certainly a need to direct rural boys and girls into training programs that will fit them for positions in industry and professional fields. Furthermore, in some of the areas in western Montana, for example, the solution for the low-income family is supplementary income in industry or the enlarging of the farm unit to employ more fully the family labor and provide an adequate income. This can result in a small land reform program and the moving out of some of these families. This may seem like a cruel approach to some, but the Federal Government and the land-grant colleges do not have an obligation to make a farmer or rancher out of every person who squats on a piece of land.

Question 4. Should the concept of free public schooling for all children be extended to include the provision for financial assistance to those who without such assistance would drop out before completing 12 years of school because of the low economic status of their families? If so, how can such aid be extended, and by whom?

An affirmative answer to this question presupposes that 12 years of schooling of the type currently available is universally desirable. Perhaps some children do not have the capacity to absorb 12 years of formal, general schooling in a profitable manner. It seems doubtful that it would be wise to subsidize all low-income families whose children would otherwise drop out of school before completing high school. Maybe more attention needs to be given to testing, counseling, and guidance services. Children of low-income families who would gain from continued general education should probably be encouraged to do so even if it means some form of a direct public subsidy. In any event, the child should be given some form of technical or vocational training so that he is not forced to drop out of school into a job where his productivity is going to be substandard.

While income status may be the most important factor accounting for dropouts in low-income groups, other factors are important. The federally supported school-lunch program is an important factor in health and school interest. School transportation systems, especially in rural areas, aid school attendance. Better rural roads and road maintenance are related to school attendance. The need to supplement family income, imagined or real, influences attendance. Such an isolated item as eyeglasses for needy children is an important factor in maintaining educational progress on the part of individual children. Hidden costs in education such as school supplies, school annuals, school athletic programs, school assemblies, etc., may discourage school attendance and interest.

Much progress has been made in the improvement of economic status of the Negroes. Commendable work has been done in the field of education by Negro educational groups in areas of vocational education. These programs merit special study. American Indians, generally, constitute a low-income group. Life on the reservations has not kept pace with the rapidly increasing American standard of living. Special programs for Indian education have failed to improve significantly the economic status of American Indians. Where public school districts have been organized on or near Indian reservations, it has generally stepped up the quality of Indian education.

The last part of the question "how and by whom," has already been answered in part. Suffice it to say here that it appears that the tasks of giving the right kind and amount of education to low-income groups and their children are properly a combination function of local, State, and national units.

Question 5. There is a substantial shortage of trained personnel in many scientific and professional areas; also, some federally aided programs are hampered by a lack of personnel competent to perform the services required. What can be done to overcome these shortages? Could a scholarship program serve the dual role of overcoming particular types of occupational shortages and of enabling members of low-income groups to receive training beyond the high-school level? What is the role of the Federal Government in meeting this problem?

Brains are no respecter of economic status. There are no doubt many low-income youth who have the basic intellect and aptitude for successful scientific

and professional careers. Many will not be able to embark on such careers because of a lack of funds for the necessary education. Career selection should be guided more by intellectual capacity and aptitude and less by the availability of personal funds for their pursuit. The land-grant college program—a cooperative Federal-State undertaking, begun with the passage of the Land-Grant Act in 1862, was designed to provide a higher education, tuition free, for the sons and daughters of farmers and working class people, as well as others. The land-grant colleges have grown rapidly and today more than a fourth of all college youth are enrolled in these institutions. Although costs to the individual student have been kept to a minimum and operations have been financed almost entirely with tax funds, the costs of board, room, books, and related personal expenses have put a higher education beyond the reach of many competent children of low-income families.

Failure to capitalize on the gifts of our youth is a social loss. Society gains through the adequate scientific and professional preparation of those who have the basic intellect and capacity for it, just as society loses from expenditures devoted for training those who do not have the capacity. It is not enough to make scientific and professional preparation available tuition free. In many cases, it is necessary to make funds available to cover other costs of higher education such as board and room, books, etc.

Scholarships are an important incentive to encourage young people to get a higher education. Groups interested in encouraging nurses training have been successful in meeting such objectives through scholarship programs and other forms of public education. The same emphasis, to a lesser degree, is being promoted for the teaching profession. Scholarships serve a twofold purpose: namely, to recognize and reward outstanding scholastic ability and to recognize the need for financial assistance. Both need and achievement are worthy of scholarship incentives.

Colleges and individuals have provided loans for many needy students and the repayment record is generally good. The personal cost of an education is generally recognized as a good investment, but to youth from low-income groups, the amounts which would have to be borrowed would seem like a terrific risk to take and too large an overhead burden to be accumulated before earning power came into play. For this reason, an extensive loan program is not an adequate solution to accomplish maximum education of the type and amount needed by youth of low-income families.

Education of physically handicapped persons, sick, lame, or blind, has been recognized as a means of rehabilitation and life adjustment. Federal, State, and local funds are provided for the education and related help needed by physically handicapped persons. Financially handicapped persons perhaps merit equal attention.

Although there are many types of scholarships now in operation² the overall financial assistance made available for securing adequate education and training are, in general, very much below that needed for our society as a whole. It would be an excellent investment and one which would pay handsome dividends to have an adequate scholarship and financial assistance program. Although certain industries, corporations, and private individuals have done much along these lines recently, it is highly doubtful whether private sources will ever reach the level of support to provide adequate financial assistance for all needy and competent youth. Since the public gains generally from the wise selection and proper preparation of our youth to their maximum capacity, the Federal Government certainly has an important function in this program. An extensive, nationwide scholarship program, largely Federal funds, with particular applications to the youth of low-income families certainly merits serious consideration.

Question 6. What kinds of incentives, if any, should the Federal Government offer to individuals and private enterprises to encourage their participation in scholarship programs?

Question 5, above, states that there is a need for scientific and professional personnel. These needs can be met only by the highest possible degree of co-operation of governments, individuals, and business. There has been considerable criticism of some of the educational and research foundations, par-

² Feingold lists 245 administrative agencies which offer thousands of scholarships and similar projects. These scholarships are classified as general, regional, special, and local. See, Feingold, Norman S. *Scholarships, Fellowships, and Loans*, vol. II; Bellman Publishing Co., Boston, 1951, p. 312.

ticularly in the social sciences, and a controversy has developed concerning the tax-exempt status of such foundations. Criticism arises because some people think the foundations are promoting the study of the wrong kinds of things. Scholarships for truly scientific studies should not attract criticism. The provision of scholarships is the provision of a social service and funds so provided should certainly be exempt from taxation. A more extensive application of tax exemption policies might encourage greater support for scholarship programs from private sources.

The committee on taxation of the American Bar Association has suggested that 30 percent of student tuition and fees actually paid by the taxpayer be applied as a tax credit on the amount of income taxes otherwise payable.³ In any case, the Federal Government has an obligation to make thorough and continuous studies and recommendations of Federal inducements for encouraging private participation in scholarships and grant-in-aid programs through tax credits.

Question 7. To what extent does vocational training offer a means whereby members of low-income groups can improve their economic status? Do the current programs adequately reach low-income groups?

Some people are suited to vocational work and others to scientific and professional occupations. Vocational training may certainly contribute to a solution of the low-income problem. Testing, counseling, and guidance services should be expanded to determine and activate suitability for their choice of careers. Those who are qualified for college work should have an opportunity to get a college education. Those not so qualified should be given the kind of vocational training from which they and the economy will benefit. Strong programs of vocational education, especially in trade training, are more adequate in large population centers than in rural areas. More area trade schools are needed in rural areas.

Our current vocational programs do not reach the low-income groups adequately. In many cases, vocational programs are misdirected. For example, in the Southeastern United States, there has been for many years a surplus of farm people and the earnings of farmers and farmworkers have been traditionally low. Yet the South has continued to emphasize training in vocational agriculture. Currently, the trend in the South is toward industrialization and greater emphasis needs to be placed on vocational-industrial training.

This overemphasis upon vocational agriculture is not limited to the South however. Very little trade training is provided in rural high schools other than what is provided in vocational agriculture in the form of farm mechanics. Vocational agricultural departments have been established in the majority of rural schools.⁴

Our rural high schools of less than 100 students, and there are many, frequently are lacking the several forms of vocational and occupational training needed to fit the aptitudes and needs of the youth of these communities, as well as the basic needs of our economy. Even in Montana, a prosperous agricultural State, more youth are trained in vocational agriculture than there are opportunities available for employment. Annually, between 900 and 1,000 boys graduate from Montana high schools with vocational training largely agricultural. About 60 percent of these are interested in farming as a career, but less than 300, on the average, actually go into farming. It has been estimated that about 800 farming opportunities arise in Montana each year and of these opportunities about 500 are on farms with \$5,000 or more annual gross income. The other 300 are opportunities on farms with less than \$5,000 gross income. The trend toward larger sized operating units continues with resulting fewer and fewer opportunities, yet today there are about 1,150 farm boys reaching age 19 in Montana each year. Thus, more than half of these farm youth must find employment elsewhere than in agriculture or be doomed to very low productivity and poverty.

Vocational education programs conducted in cooperation with local, State, and Federal agencies have effectively served to train people for occupational competence in times of national emergency. Such programs serve admirably to train millions of workers for wartime industrial needs. Leaders in voca-

³ American Council on Education, Higher Education, and National Affairs, vol. IV, No. 19, Washington, D. C., October 1955, pp. 6 and 7.

⁴ In 1953 there were 9,654 local high school vocational agriculture departments in the United States. In 1946, the number of high schools classed as rural was 17,174. See, Butterworth, Julian E., and Dawson, Howard. *The Modern World School*, McGraw-Hill, 1952, pp. 158-159 and p. 494. See also, U. S. Office of Education Biennial Survey of Education in the United States.

tional education would be glad to offer their services in developing an expanded program which would represent more low-income families. The American Vocational Association, in cooperation with Federal and State agencies could serve as a vital force in the development of an effective program. A well-thought out, adequately supported, and efficiently executed program would be highly desirable and would pay good dividends no only for low-income groups, but for the Nation as a whole.

In western Montana counties where our agricultural extension service people have attempted to work with low-income groups, it has been found that these groups are unable to change their economic status even when they learn how. Too much credit was granted in many cases during the war period or immediately following the war, and units were of a size that did not lend themselves to an adequate income, except in highly increased price periods. Consequently, expansion, the taking on of new enterprises, and additional credit are probably the only answers. To achieve this for a few families, many others must move out of the area. Credit cannot solve the problem, but additional education in management, consolidation of units, and/or bringing in of industry for parttime employment, are the important considerations.

Question 8. Does the low earning power of some individuals result from the fact that they are in the wrong job, in terms of their skills and potentialities? Is there a need for expanding vocational counseling services, particularly in the public school system?

Undoubtedly there are many people in the wrong jobs and their earnings are consequently lower than they would be otherwise. We find misfits in every vocation. The percentage in agriculture is probably no greater than in many other types of work. To make matters worse, we keep training people for the wrong jobs. As has been mentioned previously, there is a great need for more and better testing, counseling, and guidance services, particularly in the junior and senior high school years, but from the seventh and eighth grades on up.

Federal and State vocational funds allotted for guidance services are used largely to pay for services of State supervision. Local schools must provide the major cost of counseling services. Such services are apt to be of a poor grade, or even entirely missing, in small schools and in schools of low-income population areas.

Much has been learned in recent years about testing and counseling youth and adults in making intelligent job and occupational choices. Much needs to be learned and undoubtedly will be learned as testing, guidance, and counseling services are increased.

The importance of reaching parents in determining the needs of youth and enlisting their aid is well recognized. In low-income population areas, this is an especially important point and for successful execution will require special efforts of Federal and State as well as local personnel.

Mr. BOLLING. Mr. Brownell, would you like to present your statement now?

STATEMENT OF SAMUEL MILLER BROWNELL, UNITED STATES COMMISSIONER OF EDUCATION

Mr. BROWNELL. Thank you, Mr. Chairman.

I appreciate the opportunity to be present at this discussion of an important problem as related to education.

Secretary Folsom, in his testimony, pointed to inadequate education as 1 of 6 causes of low income, and I shall make some comments to expand on this point, and in so doing, what I propose in these opening remarks is to give an abridgment of the formal statement that you have before you.

I would note first that there is a significant general correlation between income and the extent of education. For example, the median annual income for those with no schooling, as shown in the 1950 census, was \$1,108; for those with 8 years of elementary schooling, \$2,533; and

for those with 4 years of college education it was \$4,407. But I would point out that while this is the median for persons with education of that sort, there is a tremendous variation within each range. We have some people with little formal education who have high income, and some people with a great deal of formal education who have low income.

There are other factors that are important. Nevertheless, it does show the general relationship between education and income.

Secondly, I would point out that investigations going back as far as 1938 show that the strongest single factor in determining how far a youth goes in school is the income of his father, so you have sort of a vicious circle there, wherein the grade in school attained by an individual largely determines his income, and his income largely determines the extent to which his children will be educated.

Now, while that is true, I would point out that we have had one or two rather fundamental studies that have shown that there are other relationships, as for instance in Dr. Hollinghead's noted study, Elmtown's Youth. He points out the fact that children from low-income families have certain other handicaps that are not related necessarily to their intelligence, and in his summary he makes this statement that I should like to read:

Behind the stark figures of grades received in courses and scores made on intelligence tests lies the Elmtown social system. The culture complex associated with classes I, II, and III trains boys and girls to respond positively to competitive situations such as that presented by examinations and intelligence tests. Experience imbues them with a need for personal achievement that is expressed in their constant search for success, teaching them from infancy to face each new situation aggressively and to overcome it to the best of their ability.

Then a little later he indicates:

On the other hand, the class V adolescent (the lower group in income and social status) has been subjected to a family and class culture in which failure, worry, and frustration are common. He has not been trained at home to do his best in school. His parents have not ingrained in him the idea that he must make good grades if he is to be a success in life. Moreover, the class system as it functions in the school does not help him to overcome the poor training he has received at home and in the neighborhood.

While that is a generalization from the specific study, and has the limitations of such a study, nevertheless observation tends to confirm that that is more generally true than just in Elmtown. I would like to make, therefore, the point that educational agencies are confronted by limitations in the extent to which they can break this cycle to which I refer; because educational institutions are a part of society, just as low-income groups are, and one can hardly expect that a social institution can be entirely independent of the social forces that bring it about, or that it can support the rest of the social culture in which it is located.

But I would point out that in spite of this, education has proven itself our Nation's most effective weapon against a static, economic caste system for individuals. But if it is to be effective in that way, it has to be powered by the action of the people to make available to children from low-income groups an adequate amount of education of a kind and quality that will be accepted by them and will be useful to them.

Since it appears that children from low-income families more frequently than for the population generally have less incentive for

study, and more handicaps to full participation in what the schools may offer, and are more easily frustrated and lack home incentives for exerting their best efforts in school affairs, it follows that more than average school resources seem to be called for where low income is associated with homes.

Now, I would like to look at some of the ways in which an attack is being made on the problem of education for low-income groups. I would first call attention to the fact that in many of the States the programs which they provide in financing of the schools provide greater State support for the low-income school districts—as a part of their program of what is ordinarily known as equalization—and I think we should give full credit to the very considerable efforts that have been made, and the considerable success that has resulted from the efforts of many of the States in this direction. While it is not as far as we—all of us, I think—would like to have it go, it is true, nevertheless, that a very good start has been made by many of the States.

Then I call attention to the fact that the conviction that the aims of education must be defined by the people, but not confined to local perspective, is one of the bases for planning the forthcoming White House Conference on Education; that it has been one of the guiding principles of the conference; that citizens are the custodians of educational aims and it is up to the people to plan together programs of action to secure the kind of education and the amount of education that should be provided, in the perspective of local, State, and national concern. One of the purposes of having the State conferences and the White House Conference was to encourage the persons who are responsible for the planning of local education to see beyond their local concerns, and in facing up to the facts, to see such inequalities as exist in the areas where there are low-income families.

Now, it is within this context that the Office of Education exists; it has been established by the Congress, essentially for the purpose of providing information to American educators and citizens, in order to help them deal in large perspective with the problems which confront them. I would note that one exception to this is our vocational-education program, which is essentially an operational program, and which was developed on the heels of a report of a Presidential Commission a good many years ago, which stated, that “high standards of living are a direct result of better education.”

Current statistics indicate that persons who have enrolled in vocational-education programs since that time, have very decidedly enhanced their economic status. One survey, as noted in the material I supplied you, shows that industrial employees with high-school diplomas and 2 years of vocational training earned an average of \$20.30 a week more than did persons who had high-school diplomas but no vocational training.

We can enlarge upon this later if you wish.

Now, apart from the vocational-education program, I would like to mention a few other areas of activity of the Office of Education that are related to the concerns of this subcommittee.

First, I would note that for a considerable number of years the Office has collected and disseminated information on the retention of pupils in schools and as a result of the effort of people in the schools,

we have been able to point out that whereas in 1925 only 316 out of each thousand who entered the fifth grade graduated from high school, that of the group which entered in 1945, 590 out of each thousand graduated from high school. Very considerable progress has been made in this area.

Second, in the area of the migrant workers, we have been holding a series of conferences on this problem, and holding continuing consultations with the chief State school officers in addition to collecting data in that area. Then, in connection with our program on the guidance of youth, we have our Section on Guidance and Personnel, which has been endeavoring to encourage greater local interest and activity in the guidance field.

In the area of the exceptional children, including those with physical and mental handicaps which retard their school programs, and their occupational usefulness, we have a section which has been providing information on this problem to make the public more aware of the needs in that area.

We have recently established a section dealing with adult education, particularly the aging and the functionally illiterate, as a recognition of our concern for this problem area. I would note also that in our budget for 1957, where we are attempting to develop resources for a considerable amount of research in the field of education, one of the 10 problems that we have included is a research project on the educational aspects of this low-income problem.

In this statement I have tried to call attention to the relationship of an individual's education to his income; the relationship of family income to educational opportunities for children; the significance of education as a means for individuals to improve their social and economic status; and the special needs of the children from low-income families for good education. I have noted that a fundamental approach to providing adequate education for children of low-income families lies in an understanding of the problem by those responsible for schools, and that this is an important reason for the study-planning-action programs of citizens and educators in the local, State, and the White House conferences on education. Finally, I have noted that the Office of Education, in its on-going program, is carrying on a number of activities relating to the concerns of this committee, and I hope that as the discussion goes forward, we may have an opportunity to expand on some of those points.

(The complete statement of Mr. Brownell is as follows:)

STATEMENT BY S. M. BROWNELL, COMMISSIONER OF EDUCATION, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

GENTLEMEN: I am pleased to take part in this discussion of the problems of low-income families, for it is an area in which educators have both an interest and a responsibility. Education influences the material product of our Nation, and the existence of educational opportunities is largely dependent upon the economic well-being of the country. It is also true that for individuals there is a significant correlation between income and extent of education.

To illustrate the point that income and education are related, let me point out that data from the 1950 Census show that the median annual income for those with no schooling was \$1,108, for those with 8 years of elementary schooling it was \$2,533, and for those with 4 years of college education it was \$4,407. I would point out, however, that there is great variation within groups at the several levels of income. It is a matter of common knowledge that there are many persons who, though deprived of a formal education, have achieved great

financial success; and there are many persons whose dollar income does not reflect their extensive training. Nevertheless, these figures, it seems to me, tend to confirm a well-accepted view that, in general, an individual enhances his earning power by advancing his education. But if it can be shown thus clearly that education means greater earning power, why is it that people fail to take full advantage of educational opportunities? Here, too, I think income is a factor.

Studies of school retention have shown that pupils from families of low economic status are those most likely to drop out of school. A 1942 study (by Karpinas and Sommers), for instance, found that for the age group 15 to 19, the percentage of white males attending high school ranged from 67.2 for the lowest income group (under \$1,000 or on relief) to 95.9 for the higher income groups (\$3,000 and over). In reporting an investigation which he made for the American Youth Commission as early as 1938, Howard Bell concluded that the strongest single factor in determining how far a youth goes in school is the income of his father. Recent studies, such as a current report on *The Nature of the School Population in the State of Illinois*, tend to confirm this. Link this fact with the fact that degree of learning affects earnings, and the situation appears to be a vicious cycle: The grade in school attained by a individual largely determines his income; his income largely determines the extent to which his children will be educated—and then the cycle starts again.

Prof. A. B. Hollingshead's noted 1949 study of Elmtown's Youth analyzes this cycle with care in a representative community. He points out that low socio-economic status also adversely affects:

(a) Academic performance. (Although only 11 percent of his class V group had an I. Q. below 90, 89 percent of this group failed at least one course. Although intelligence was associated significantly with class position, the degree of association was not high enough to account for the concentration of failures in class V. Neither was it great enough to attribute the high grades in classes I and II to the intellectual capacity of this prestige level.)

(b) Participation in school activities. (100 percent of the upper-class children participated in extracurriculum activities, while only 27 percent of the lower-class children participated.)

(c) Choice of school courses. (Children of low-income families favored the commercial course markedly over the college preparatory, while upper-class students greatly inclined to the college preparatory course.)

Mr. Hollingshead's comments on the subject of why low-income children do relatively poorly in school and incline to drop out before completing high school are of interest:

"Behind the stark figures of grades received in courses and scores made on intelligence tests lies the Elmtown social system. The culture complex associated with classes I, II, and III trains boys and girls to respond positively to competitive situations such as that presented by examinations and intelligence tests. Experience imbues them with a need for personal achievement that is expressed in their constant search for success, teaching them from infancy to face each new situation aggressively and to overcome it to the best of their ability. When they take a test, whether it is arithmetic or intelligence, they normally try to do their best on it, for their ego is on trial and they must make good, and they generally do. On the other hand, the class V adolescent has been subjected to a family and class culture in which failure, worry, and frustration are common. He has not been trained at home to do his best in school. His parents have not ingrained in him the idea that he must make good grades if he is to be a success in life. Moreover, the class system as it functions in the school does not help him to overcome the poor training he has received at home and in the neighborhood. We believe that such factors as these have as much influence on the differences observed in the test scores as native intelligence, but this is essentially an impression—an impression, however, based on evidence accumulated in Elmtown."

This leads me to a point which I should like to emphasize; namely, that educational agencies are confronted by grave limitations in the extent to which they can break up the cycle to which I have referred. Schools simply cannot do the whole job. Educational institutions are the creations of society, just as low-income groups are, unhappily, a creation of that same society. We can hardly expect schools to accomplish what the larger society does not accomplish, and we cannot expect the schools to do for the child what parents do not want done for the child. If, however, society undertakes to remedy such handicaps as confront many individuals in low-income groups, then it

may count upon the schools of the Nation as an effective instrument and medium for enhancing its efforts. Education has proven itself our Nation's most effective weapon against a static economic caste system for individuals in our society, but it must be powered by the action of the people to make available to children from low-income homes an adequate amount of education of a kind and quality that will be accepted by them and will be useful to them. There is little virtue in having pupils sit in a classroom. The value of school lies in what changes take place in the individual. Since it appears that children from low-income families more frequently than for the population generally have less incentive for study, and more handicaps to full participation in what the schools may offer, and are more easily frustrated and lack home incentives for exerting their best efforts in school affairs, it follows that more than average school resources seem to be called for where low income is associated with homes. The programs of States which provide greater State support for low-income school districts is one of the most notable ways in which efforts have been made to meet this problem. In this way the people of the State have attempted to retain local operation of schools, but to increase the school opportunities beyond what the community would or perhaps could provide from its own resources.

Conviction that the aims of education must be defined by the people but not confined to local perspective is apparent in the planning of the forthcoming White House Conference on Education. This historic conference is designed to give Americans from all walks of life an opportunity to study and to voice their views on major educational problems. Some 500,000 citizens and educators during the current year have met and discussed these problems in State, local, and regional gatherings in every State and Territory. The guiding principle of this Conference, the idea for which originated in the Office of Education, is that citizens are the custodians of educational aims, and that it is up to the people to plan together programs of action to secure the kind of education and the amount of education to be provided in the perspective of local, State, and national concern. The variation in available education to children in many low-income families and the greater need of these children for good education is one of the conditions made evident by the citizen study that is taking place.

Within the context of this grassroots philosophy of American education, the United States Office of Education exists essentially for the purpose of providing information to American educators and citizens--in order to help them deal wisely with the problems which confront them. Thus the Office of Education carries on activities in the area of research, information, and advisory services which bear upon the educational problem of low-income families.

The vocational education program is, in a sense, an exception to this. It is an operational program employing Federal funds, but even here the responsibility for operation is decentralized into the hands of State agencies so as to be closer to the people. This program was designed to enhance the occupational qualifications of persons interested in certain major vocational areas (agriculture, trade and industry, home economics, and distributive occupations). It began with the passage of the Smith-Hughes Act of 1917, and the Federal funds amounted to more than \$30 million in the current fiscal year. Initiation of this program followed on the heels of a report of a Presidential Commission which declared that "High standards of living are a direct result of better education * * *" and current statistics indicate that persons enrolling in vocational education programs since that time have greatly enhanced their economic status. One survey showed, for instance, that industrial employees with high-school diplomas and 2 years of vocational training earned an average of \$20.30 more a week than did persons who had high-school diplomas but no vocational training. In our close association with the several State boards of vocational education, we are aware that the several States are making efforts to see that this earning edge is provided where it is needed within their respective States, and we see it as our task to advise and consult with these State boards toward the most effective development of their programs.

Apart from the vocational-education program, I shall mention other areas of activity in the Office of Education which seem to me to relate to the concerns of this subcommittee. They are areas in which we are performing research and advisory services:

1. The retention of pupils in school, on which our Office has for decades collected and compiled data. (I would note here that more students are staying in school longer now than in the past. In 1925, 316 of each 1,000 fifth graders graduated from high school, whereas 590 out of each 1,000 do nowadays. Never-

theless even the current figure indicates large numbers of our youth failing to take full advantage of school opportunities.)

2. The education of children of migrant workers, who constitute a significant low-income group. We have been holding a series of conferences on this problem, and holding continuing consultations with chief State school officers, as well as collecting available data.

3. The guidance of youth, in academic, personal, and occupational matters, an area in which our Guidance and Student Personnel Section has been endeavoring to encourage greater local interest and activity.

4. The education of exceptional children, including those whose physical and mental handicaps retard their school progress as well as their occupational usefulness. This has been the concern of some of our specialists, whose publications are helping make the public aware of this significant problem.

5. The education of adults, particularly the aging, and the functionally illiterate, in which areas we have become increasingly active.

In this brief statement, I have tried to call attention to the relationship of education of the individual to his income and of family income to educational opportunities for children, of the significance of education as a means for individuals to improve their social and economic status, and of the special needs of the child from low-income families for good education. I have noted that a fundamental approach to providing adequate education for children of low-income families lies in an understanding of the problems by those responsible for schools. This is an important reason for the study-planning-action programs of citizens and educators in the local, State, and White House Conferences on Education. Finally I have noted that the Office of Education in its on-going program is carrying on activities relating to a number of the concerns of this subcommittee. I am hopeful that in the discussions promoted by this subcommittee and in its deliberations we may be able to contribute constructively. We hope from you to receive useful information and ideas.

You are all aware that in the light of increasing educational needs—in this area and in many others—the administration is introducing legislative proposals which would permit the Office of Education to lend greater assistance to State and local agencies in their educational efforts. Needless to say, I shall be happy to discuss these with you here today in terms of their potential impact upon the condition of low-income families.

Mr. BOLLING. Our next witness is Mr. Bray, who I understand is also speaking for Eli Ginzberg, who is the director of conservation of human resources at Columbia University. We are sorry Mr. Gizberg was unable to be with us today.

Mr. Bray, you may proceed.

STATEMENT OF DOUGLAS W. BRAY, STAFF ASSOCIATE, CONSERVATION OF HUMAN RESOURCES, COLUMBIA UNIVERSITY

Mr. BRAY. Mr. Chairman, millions of Americans are not receiving as much education as they could profitably absorb. This is a crucial factor in perpetuating the low-income group in the population and in the country's failure to meet the demands for highly skilled and professional workers.

We do not believe that Federal scholarship aid to individual students is the best way to overcome the Nation's educational deficiencies. Financial considerations impede only a small percentage of able students from entering college. Financial need ranks low among the causes of withdrawal from elementary and secondary school.

The most important way to improve the educational level of the population is to improve the entire system of public education from elementary school on, especially in localities where it is now notably weak. Such improvement would reduce and eventually eliminate the problem of illiteracy. It would raise the proportion of able young people who remain in school until they complete high school, and it

would increase their motivation to continue their education in college. Most important, better early education would increase the proportion of the population with good capacity for learning and would thus expand the number who could profit from advanced education and then enter more demanding fields of work.

Our first recommendation is that Federal funds to strengthen public education be made available to those States which have difficulty in raising sufficient money for education because of low per capita income and a disproportionately large number of children of school age. Funds would be available, however, only to States making at least an average effort to provide their own financing. Specifically, those States would qualify for aid whose tax rates for education equal or exceed the national average but whose tax yield per child of school age is less than the national average.

Secondly, we place considerable emphasis on the potentially great contribution vocational guidance can make in encouraging young people to stay in school longer and profit more from their studies. Although the States now can receive funds under the George-Barden Act to match funds expended for a variety of activities, one of which is vocational guidance, they can receive all the funds to which they are entitled without expending anything for vocational guidance. We believe that Congress should consider increasing the amounts available under the act, but should provide that the increase would be available only to match funds expended by the States for guidance purposes.

In addition to strengthening elementary and secondary education, including guidance, ways must be found to give young adults of limited education a second chance to acquire at least the fundamentals of education. During World War II, the Armed Forces sent several hundred thousand young men to special training units for this purpose. Since then, however, higher selection standards have kept such men from being inducted. The Armed Forces are reluctant to accept individuals who require special training because such men are less easily used than others and because a program of special training increases costs. We believe that Congress should make the necessary adjustments in manpower ceilings and budgets to make it possible for the military to induct men who are acceptable except for the fact that they score below the current minimum on the Armed Forces qualification test. By so doing, the Armed Forces would expand the pool of readily usable manpower for any future mobilization and make a substantial contribution to the civilian economy.

Our final point should be made concerning the relationship between scholarship aid and the status of low-income groups. The more that admission to college is put on a nationally competitive basis, the more will disadvantaged sectors of the population suffer. The more college entrance is limited to those attaining high scores on an aptitude test, the smaller the enrollment of southerners as compared to northerners, rural residents as compared to urbanites, and Negroes as compared to whites. Such results would impede the processes through which the position of such groups can be raised. Teachers for schools in depressed rural areas are not recruited from well-prepared high-school graduates in New York, Chicago, or Los Angeles, who score high on tests of scholastic aptitude. They come from the areas in which they eventually teach and, consequently, they score relatively low on tests.

The effect of competitive college admission on the educationally underprivileged regions will become more threatening as the number in the population of college age increases and college facilities are overtaxed. (The complete statement of Mr. Bray is as follows:)

Statement by Eli Ginzberg and Douglas W. Bray, conservation of human resources, Columbia University

INCREASING EDUCATIONAL AND TRAINING OPPORTUNITIES OF MEMBERS OF THE LOW-INCOME POPULATION

INTRODUCTION

This statement does not answer directly the several questions set forth in the discussion topics listed by the subcommittee. It attempts rather to provide a framework for the consideration of these and other questions concerning the relationships among education, work, and income.

The relationship between education and the ability to meet the citizenship and work requirements of adult life has been a principal focus of interest of the conservation of human resources project. This project was established by President Eisenhower, while he was at Columbia University, because of his concern with the striking wastage of manpower revealed by the experience of World War II. Over 1.6 million men were rejected for military service for mental and emotional reasons and an additional three-fourths of a million had to be separated before the normal expiration of their term of service for similar deficiencies.

The work of the conservation of human resources in the area of education and work performance so far is reported in the following books and articles by members of the staff, forwarded herewith:

The Uneducated, by Eli Ginzberg and Douglas W. Bray, Columbia University Press, 1953.

Issues in the Study of Talent, by Douglas W. Bray, Columbia University Press, 1954.

Psychiatry and Military Manpower Policy, by Eli Ginzberg, John L. Herma, and Sol W. Ginsberg, M. D., Columbia University Press, 1953.

Better Preparation for Better Jobs, by Eli Ginzberg, summarized in The National Urban League Reexamined, 1955.

Education and National Efficiency, by Eli Ginzberg (to be published in International Yearbook of Education, Loudon).

Man's Mental Resources and Tomorrow's Needs, by Douglas W. Bray, Saturday Night (a Canadian weekly), April 9, 1955.

The Meaning of Equality in Preparation for Work, by Eli Ginzberg, Conference on Science, Philosophy, and Religion, 1955.

Conservation of Human Resources report, summer 1955.

In addition to these, the staff of the project is presently engaged in two studies which will have great relevance to this area. One is the Development of Negro Potential; the other is Personality and Performance: a Study of the Ineffective Soldier. The staff of the project has also worked with the National Manpower Council in connection with those aspects of the council's work which have to do with education. (Information and materials relative to the National Manpower Council have been forwarded by Henry David, the executive secretary of the council.)

Concern with the relationships between education and work runs all the way from questions about the usability and earning power of the illiterate and extremely educationally deprived through the problem of increasing the number of persons reaching the doctoral level. In order to clarify the range of issues involved it will be useful to consider three distinct groups along this continuum: (1) The severely educationally deprived whose chances of performing anything but the lowest and least well-paying type of work are practically nonexistent; (2) the supply of high-school graduates of average ability or above, many of whom become skilled workers and technicians; and (3) the supply of capable college graduates.

THE UNEDUCATED

The work of the project to date has heavily underscored the expected finding that inadequate education severely handicaps an individual in meeting the obligations of citizenship and in earning a decent living. In respect to the former,

over 700,000 otherwise acceptable men were rejected for military service during World War II because of mental deficiency, which was mostly a deficiency in education. In addition, another 230,000 men were separated from the armed services for inaptitude; the educational level of these men was extremely low. Our study of Personality and Performance; The Ineffective Soldier in World War II has indicated further that separations for various other reasons were considerably more frequent among the more poorly educated. In short, educational deficiencies constituted a serious national handicap in the military effort of World War II.

Although there has been some reduction in the proportion of the population suffering from severe educational deprivation during the last decade, even the most recent figures on screening for the armed services indicate that the loss of manpower for this reason is still highly significant. Over 10 percent of the men who were otherwise available for military service during the fiscal years 1953-54 were rejected because they could not achieve a satisfactory score on the Armed Forces qualification test. That these failures are, in large measure, due to poor educational background rather than inborn limitations is clearly indicated by a regional comparison. The rate of failure in the Southeast, where public education is the weakest, was 28 as compared to 7 percent in the Northeast.

The effects of poor education are certainly not limited to the failure to be able to perform military service. Our study of the backgrounds of the illiterate and poorly educated men who were sent to special training units in the Army revealed that the great majority of men had merely eked out a living on poor paying jobs or in subsistence farming. In 1952 we sent a questionnaire to a number of large employers in those sections of the country where there is a considerable amount of educational deprivation asking them about their policies with respect to employment for the poorly educated and the illiterate. The overwhelming conclusion was that employers would either not hire such individuals at all if they could possibly avoid it or, if forced to hire them, would use them only as sweepers or in other menial chores.

The experience of World War II demonstrated that even the most poorly educated men are far from uneducable. Between June 1943 and the end of hostilities, the Army accepted over 300,000 poorly educated men, the majority of whom had completed less than three grades of school, and sent them to special training units. There they were given instruction for 12 weeks or less designed to bring them up to fourth grade literacy and arithmetic skill as well as to teach elementary military skills. Only 1 out of every 10 was unable to profit from the learning opportunity. In our study, The Uneducated, we traced with considerable care the subsequent military careers of a representative sample of these men, and also found out something about their subsequent civilian adjustment by means of a simple questionnaire. We found that the great majority of them had turned out to be satisfactory soldiers or better and that many of them had somewhat improved their situation in civilian life over what it had been before induction. Furthermore, a large proportion looked back upon their opportunities for basic education while in the Army with gratitude because it had made military life easier for them and helped them after discharge.

This is not to imply that such individuals could, at this late date in their lives, make great educational gains. Only a very few, it may be conjectured, would have ever reached the level of the high school graduate even were the course greatly extended and great pains taken. Gross deprivations in childhood are not so easily corrected. Nevertheless, there is convincing evidence that the educational attainment and the potential work performance of the very poorly educated can be raised significantly with a relatively small investment.

There is no agreed-upon level of schooling which sharply divides those who might be considered educationally deprived from those who would not be. It is significant, however, that one-eighth of the Nation's 25 year-olds have completed no more than 7 grades of school. This is well over one-quarter million young adults of this age alone. The Nation still has a long way to go in providing everyone with a minimum education.

ABLE HIGH SCHOOL GRADUATES

As is well known, there is an evermore imperative demand for individuals of average or better intellectual ability who have graduated from high school. From this group must come those who will enter college and become scientific and professional workers and many others who will develop into skilled workers and

technicians. The extent to which young people are now continuing their education at least through high school graduation is clearly a matter of national importance. And, it is noteworthy that fully 40 percent of the school age population still does not do so.

Both industry and the Armed Forces emphasize that although they expect to provide the specific training necessary to enable a man to become a skilled worker, the individual must have the background and ability on which they can build. Industry is becoming ever more insistent that the person in whom they will invest be a high school graduate. The Armed Forces limit their technical training pretty much to those who are in groups I and II on the Armed Forces qualification test, or, at the outside, no lower than those in the upper part of group III. This means that they demand those who are at least average in ability.

High-school graduation and a higher than average ability score are related indexes. For example, during the fiscal years 1953-54 the percentage of groups I and II accessions to the armed services from the Northeast was 39, 16 from the South, and 43 from the Far West. The percentages of the corresponding age groups graduating from high school in the 3 regions were 54, 30, and 61. In those areas where the public schools are relatively weak fewer people graduate from high school and the population makes poorer scores on ability tests like the Armed Forces qualification test.

As would be expected, the rate of graduation from high school is greater for those of average ability and above than for the general population. It was noted above that 40 percent of all our young people do not now graduate from high school. The figure for those of average ability and above is much better, only 20 percent fail to graduate, but this is, obviously, not a matter for rejoicing. It indicates that over 400,000 young people of ability a year are dropping out before they graduate from high school.

The great bulk of this loss takes place in the high school itself. Only 7 percent of those with at least average ability fail to enter high school. The high school dropouts in this ability group, therefore, amount to over one-quarter of a million each year.

Most of this great loss is made up of individuals who are not clearly college material. Nearly 9 out of 10 are those who are of at least average ability, but below the ability level considered, on the average, to be needed for success at a good college. This means that the loss affects primarily the supply of able high-school graduates available for skilled and technical training, since college graduates generally do not enter this type of work. Looked at from the viewpoint of the individual, most of these dropouts will find their job and income horizons more limited than they might have been.

There are many and complex reasons behind high school dropouts and it is difficult to give exact weight to particular reasons, especially if one is talking on a national basis. Nevertheless, financial need of the pupil does not appear to loom as very important. A New York State study, for example, in which high-school principals reported on why students drop out, showed that "real need to earn money to help out at home" ranked only 15th. The attitude of parents toward the importance of more schooling ranked much higher, as did a general dislike of school. It is likely that dropouts among those of average ability and above result in major part from the attitudes of the individual's family and friends—attitudes which the school, perhaps because of deficiencies of its own, cannot overcome. In many places the school needs financial aid much more than the students.

THE COLLEGE POPULATION

The fact that many high-school graduates with good scholastic ability do not go on to college has received much attention in recent years. It has been pointed out that less than half of those with college level ability, the upper sixth of the population, and only a little over half of those even with scholastic aptitude indicating potential for postgraduate work enter college. Several prominent groups have been seriously concerned with these facts; the National Merit Scholarship Corp. is a recent and striking example.

Certain difficulties in making use of this large reserve of college potential less often gain attention. The first is that over half, perhaps as high as 60 percent, of the reserve is composed of women. This is because a somewhat larger number of girls than boys graduate from high school and a smaller percentage of girls enter college. Although one can certainly maintain that more able women should have the advantages of a college education, one cannot avoid the

fact that women college graduates are much less likely than men to pursue an active scientific or professional career.

Secondly, a sizable fraction of those with college aptitude do not earn sufficiently high grades in high school to warrant much optimism about their success in college, were they to attend. About one-fifth of them rank in the lower half of their high-school classes.

Finally, a considerable number of able high-school graduates have not taken college preparatory courses. A recent study by the National Science Foundation showed that nearly 40 percent of the high-ability students have not pursued a college preparatory course. For these reasons it must not be thought that by any means all high-school graduates of good scholastic aptitude who do not now go to college are part of a ready reserve of good college students and of future scientific and professional workers.

Economic considerations apparently do not play a major role in preventing able high-school graduates from entering college. The National Science Foundation study also revealed that only 12 percent of able high-school seniors in answering the question "If you do not go to college, what will the reasons probably be," said that it would cost more than their families could afford.

POLICY IMPLICATIONS

The major policy recommendations deriving from the above facts are of several types. In the first place, it is clear that ways must be found to give young adults of severely limited education a second chance to acquire at least the fundamentals of literacy. The Army and Navy did this during World War II for thousands of young men, when public opinion and manpower stringencies forced them to it. Military screening standards in the mental area since then are much higher; the rejection rates for low aptitude are over two and one-half times as high as they were.

Yet the military is an institution capable of making a real contribution in this area. Experience has shown that it is exceedingly difficult to set up facilities for and motivate people to take advantage of adult literacy training. The individuals involved are often widely scattered in areas with poor transportation facilities, and the fact that they work for a living means that education has to be a distinctly part-time activity.

The reasons for the reluctance of the armed services to accept poorly educated men is based, of course, on the fact that such individuals are less easily trained and used. Accepting one of these persons means that another more able will be sacrificed, since the services operate under manpower ceilings. Furthermore, there is extra cost incident upon special training. Because of these considerations, and in the absence of any direction from the Congress, the armed services have not seriously considered reinstituting special training. It follows, therefore, that Congress should make whatever adjustments are necessary in manpower ceilings and the military budget to allow for the induction and training of men who are acceptable to the armed services other than that they score below the now acceptable level on the Armed Forces qualification test.

The importance of thus improving the education of young adults should not be underestimated. It will be of value to them not only in their work and in many areas of their lives, but its longer run effects upon the next generation may outweigh even these advantages. Experience has shown that the educational achievement of some children remains quite low even though they attend reasonably good schools, primarily because of a home background which is indifferent or even hostile to education. It may be expected that a favorable and recent experience with the educational process, perhaps an opposite kind of experience from that of childhood, would make poorly educated parents more concerned that their children get as much out of public education as possible.

Our studies of the relationship between education and work at all levels from that of the uneducated to the doctor of philosophy show that the most important recommendation that can be made is that definite steps be taken to strengthen public education. There are at least three pressing reasons. One is so that the problem of the illiterate and severely educationally deprived will be eliminated as far as the youth of the future are concerned.

The second is so that there will be an increased number of good high-school graduates. The sizable loss of academically apt individuals before high-school graduation was set forth above. The largest gains in good manpower would accrue from finding ways to keep more of such persons from dropping out of school.

The third reason is so that the number of able people can itself be expanded. All the recent data, including that used above, about the number of high aptitude persons who are failing to complete certain amounts of education are based on assessments of developed potential. They are based on instruments such as the Armed Forces qualification test, scholastic aptitude tests, and the usual group and individual tests of the IQ. Although such devices are useful predictors of how readily one will be able to learn in the future, they are not accurate indicators of the potential with which individuals are born. Scores on such tests are in considerable part a function of the learning opportunities open to the individual in earlier life and the extent to which he has been motivated to take advantage of them.

The degree to which early experience plays a role in such test scores is indicated by the fact that as many as one-fourth of the children from some well-to-do neighborhoods have IQ's of 125 and above while this is true of only 6 percent of the general population. Differences in heredity may account for part of this wide difference, but they are certainly not the whole story.

This means that an improvement in early education, especially in those areas where it is now weak, would accomplish several purposes. It would raise the scholastic aptitude of the school-age population which would, obviously, increase the total pool of able people. Secondly, better schools would increase the percentage of young people staying through to high-school graduation; this would increase the number of individuals available for skilled and technical training and for entrance into college. Furthermore, better public schools would undoubtedly motivate a larger percentage of good high-school graduates to go on for additional formal education. In short, a strengthening of public education would contribute to easing manpower problems all along the line.

There are a great many suggestions that might be made about how public education could be improved, including getting and holding a larger supply of qualified teachers, better utilization of teachers, and the strengthening of vocational guidance and counseling. The solution to such problems is not entirely economic, but finances have a great role to play in the strengthening of education. In *The Uneducated* we compared the rejection rates for mental reasons for the States classified according to per capita income. We found that the 12 States with the lowest per capita income had a rejection rate 8 times as great as that of the 12 States with the highest income. The difficulty is compounded, furthermore, by the fact that many of the poorer States have more children to educate. In 1950, for example, the South had 44 children between the ages of 5 and 17 for every 100 productive workers, while the Northeast had only 30. Our children are our most valuable national resource, and the Federal Government should insure that none lack the opportunity for at least a fundamental education.

We recommended in *The Uneducated*, and do so now, that Federal funds be made available to strengthen education in the poorer States. The basic procedure would be to make Federal funds available whenever the tax rate in a State for education is equal to or exceeds the national average but where the tax yield per child of school age is less than the national average. Funds would be made available, of course, in proportion to the amount of this discrepancy. This plan would be of direct benefit to the States where income is lowest and education is weakest. It would thus be a clear step in the direction of breaking the low education-poverty cycle. The proposal, it should be noted, involves a somewhat less radical modification of the conventional pattern of educational financing than would a more comprehensive plan of Federal aid to education.

Although no attempt will be made here to discuss all the other possible avenues through which the Federal Government might act to strengthen the educational process, the role of vocational guidance and counseling should be stressed. Federal funds are already available under the George-Barden Act to help States with their guidance programs. However, in fiscal 1952 only \$400,000 was so expended, and 9 States did not even have a State supervisor of guidance. It should be noted that the States can receive the maximum funds to which they are entitled under the act without expending anything for guidance at all, although funds spent on vocational guidance may be counted in qualifying for funds. The Congress might give consideration to increasing the funds available under the act, while providing that the increase would be available to the States as matching funds for guidance programs only.

As far as collegiate education is concerned, there is a great deal of emphasis at present on encouraging more of the able students to enter higher education. This stress is due, in part, to the low birthrates of the 1930's which means that the population of college age is now relatively small. When the high birthrate

of the war and postwar years catches up, however, the population of college age will be much larger than it is today. In 10 years there will be $1\frac{1}{4}$ million more 18-year-olds than there are now. Even if the percentage of young people going to college were not to increase over the decade, there would then be about 280,000 more college freshmen than now. The size of this potential increase becomes clear when it is realized that today there are about 435,000 entering college each year.

In the foreseeable future, therefore, the problem will become not how to get more people into college but how the colleges can accommodate the number who want to enter. It is not too early for the Federal Government to begin to consider what measures that might fall within its province could be taken to expand and strengthen collegiate education to meet this problem of the near future.

There is one crucial point which ought not to be overlooked. The more that admission to college is put on a nationally competitive basis, the more will be less well-to-do areas of the Nation suffer in this regard. The more college entrance is limited to those attaining high scores on an aptitude test, the more reduced will be the enrollment of rural residents as compared to urbanites, southerners as compared to northerners, children from poor families as compared to the well-to-do, and Negroes as compared to whites.

Such results would impede the processes through which the position of such groups is being raised. Teachers for schools in depressed rural areas are not recruited from well-prepared high-school graduates in New York, Chicago, or Los Angeles who score high on tests of college ability. They come from the areas in which they teach and, consequently, score low on tests of scholastic aptitude.

CONCLUSION

Our overall view of the Nation's educational and manpower problems convinces us that the emphases of policy should be on the strengthening of education from the first grade through college. No major increase in the number of high-school graduates, in the number of able individuals entering college, in the number of persons prepared for skilled, technical, scientific, or professional work, and, certainly not, in the number of able people, will accrue from financial aid to individuals. This is not to say, of course, that steps should not be taken, private or governmental, to enable really capable persons who are truly financially unable to continue their education and who want to, to go on. But such steps are not enough to meet our human resources problems. Big gains call for big efforts. If we want superior educational products, we must have superior education.

Mr. BOLLING. Mr. Masters.

STATEMENT OF H. B. MASTERS, DIRECTOR, THE GEORGIA CENTER FOR CONTINUING EDUCATION, UNIVERSITY OF GEORGIA

Mr. MASTERS. Mr. Chairman, this statement that I have prepared is based on the idea that it is impossible for us to separate or isolate the low-income group in the long run from the rest of the population in terms of adult education.

I am looking at this assignment in terms of the total adult education that need a continuing kind of an opportunity to attend some formal and some informal kind of educational program. There is a wide variation in the proportion of adult population reached by adult schools from less than 1 out of every 100 adults, to more than 1 out of every 5. This variation is best explained by the availability of an adequate State-aid program for general adult education. Only 10 States have provided reasonably adequate aid while the other 10 grant a token aid only and the remaining 28 grant no aid.

In the States with considerable aid there is nearly three times the adult participation in relation to adult education as in the States which

have little or no aid. This is a statement taken from the National Commission on Adult Education Finance in 1954.

Great advances in education in America have accompanied and followed changes wrought by national emergencies. Such advances encourage inquiry into the moral, economic, and intellectual climate in which we live, that all men may lead richer lives. Men who are free to seek understanding of themselves, their fellow men, and their universe, recognize change not as a threat but as a natural phenomenon. And, free men, who retain to themselves powers of government, chart their destiny upon the dignity of the individual and his family. A recognition of the worth and possibilities of the individual and his determination to inquire freely into the nature of all things recalls the goal of public education in America, the Jeffersonian dream of an aristocracy of achievement growing out of a democracy of opportunity. Cultural and economic patterns are certain to develop and change as a country moves from an agrarian to an industrial economy. However, certain motivating factors in individual and development remain the same throughout the ages. These include (a) need for food, clothing, and shelter; (b) the love of family; (c) the desire to serve others; (d) the desire to be important in the eyes of one's fellow men; and (e) the desire for power and wealth. These are drives which are had in varying degrees by individuals, but taken as a whole they represent the desires and aspirations for a country as a whole. To nourish economic roots and to stimulate cultural growth throughout a country becomes a labor which demands all resources of all people.

The individual and his family, and their immediate community, are key units of society. Mature, responsible groups grow from mature, responsible individuals. To encourage such maturity and responsibility it becomes the duty of a nation to provide the means for continuing education among its people.

University programs of instruction throughout the Nation devote by far the major portion of their time and effort to the preservice preparation of resident students. This is central and a highly important function to perform, but there is a growing concern that the universities serve the needs of those who have finished their formal education. Much is being done through conferences, general extension, and agricultural extension, but an examination of this work indicates too often that it has been conceived of in the same general pattern as preservice education. Preservice education does not meet the needs of out-of-school students, who must continue their education on a voluntary basis and in their spare time. A new program is needed.

The evidence clearly indicates that the economic productivity of people can be increased through the use of appropriate educational programs. These educational opportunities in a free society should be distributed as widely as possible throughout the population. The educational offerings should be planned to provide a variety of opportunities for the individual citizen to meet his needs. These programs of education should be continuous, systematic, and available to the people irrespective of their age or of their educational background. Too long we have tended to think of education as a terminal proposition, primarily available to the young. We must provide educational opportunities for adults if we want to help adults to help themselves in the process of improving their economic well-being and enriching their quality of living.

In the light of present world conditions it seems desirable that we develop to the maximum our economic technological and political strength. This we must do for ourselves, and we must continue to help less well-developed areas of the world to do the same if our way of life is to be continued. This should be the guiding idea that shapes our policymaking, both here and abroad. This policy cannot be made and carried out unless we have an enlightened and responsible citizenry. Full support for such a program cannot come unless the people have the knowledge to understand and thus accept this political philosophy. Ours, technically, is a free society where freemen accept the notion that "Government derives its just power from the consent of the governed." Government needs to have at its disposal the moral strength and wisdom which flows to it out of the free will of the people. This strength and vitality is based upon a continuing broad program of education; particularly adult education.

There are so many forces competing for the time and loyalties of the adult that he needs ways and means to continue his learning throughout his lifetime. This is an adult-made world, adult controlled, and adult operated. It is not children or youth that make poor laws, low-income wages are paid by adults to adults, and it is precisely at this point training must be available because if we expect to make changes we must do it through an informed adult citizen. It is no longer possible for the individual citizen to acquire in his youth the education necessary to serve him throughout his adult life. This is especially true in regard to his occupational pattern, which is undergoing rapid changes within a relatively short period. Old jobs give way to new ones. The division of labor creates new jobs where only one existed before, while science and invention give rise to new industrial economy providing many new jobs that require new training programs. The training opportunities must be provided in light of our shift from an agrarian economy to an industrial society, calling for specialized skills and understandings in mechanics, management, and professional fields.

The present basic adult educational programs are offered by Agricultural Extension Service, University General Extension Services, and the public school system. One of the best evidences of a job well done and one that has extended over a long period of time, is the work done by land-grant colleges through the Agricultural Extension Service. This service has repeatedly demonstrated its value to the rural population of America. Through the research and the work of the extension agent, farm production has been increased and the lives of the farmer and his family have been enriched. The results of this program, when studied, becomes so convincing that it is difficult to understand why we have delayed so long in providing similar kinds of specialized service for other segments of the population.

Recognizing the need of continuing education for groups other than those of an agricultural nature, the Senate of the Association of Land-Grant Colleges and Universities, at its meeting at East Lansing this year, approved the recommendations of its executive committee that Federal aid be sought for programs of adult education which would be administered through the general extension divisions of land-grant colleges, and universities, and the separated State universities.

In taking this action, the leadership in the Federal system of land-grant colleges declares that "the widespread diffusion of practical and cultural information among the people of the several States is essential to our national security and general welfare.

It is significant to note that in a meeting of one of the councils of this association special attention was given to the problems facing the low-income families and unattached individuals in our society.

This group, along with this joint committee, is searching for the means and methods of breaking the low-income cycle through the process of adult education. However, it is to be remembered that the founders of the land-grant program did not limit the program to the poor farmers, but made it available to the entire community. In this country education has always been thought of not only as a means of increasing income, but also as a means of extending and insuring a greater and more effective participation in the responsibilities of citizenship. The Founding Fathers recognized that in a society of freemen all men must be educated; hence, they established the public school system.

(The complete statement of Mr. Masters is as follows:)

INCREASING EDUCATIONAL AND TRAINING OPPORTUNITIES FOR MEMBERS OF THE
LOW INCOME POPULATION

H. B. Masters, director, the Georgia Center for Continuing Education,
University of Georgia, Athens, Ga.

Great advances in education in America have accompanied and followed changes wrought by national emergencies. Such advances encourage inquiry into the moral, economic, and intellectual climate in which we live, that all men may lead richer lives. Men who are free to seek understanding of themselves, their fellow men, and their universe recognize change not as a threat, but as a natural phenomenon. And, freemen, who retain to themselves powers of government, chart their destiny upon the dignity of the individual and his family. A recognition of the worth and possibilities of the individual and his determination to inquire freely into the nature of all things recalls the goal of public education in America—the Jeffersonian dream of an aristocracy of achievement growing out of a democracy of opportunity.

Cultural and economic patterns are certain to develop and change as a country moves from an agrarian to an industrial economy. However, certain motivating factors in individual and development remain the same throughout the ages. These include (a) need for food, clothing, and shelter; (b) the love of family, (c) the desire to serve others, (d) the desire to be important in the eyes of one's fellow men, and (e) the desire for power and wealth. These are drives which are had in varying degrees by individuals but taken as a whole they represent progress for a country as a whole. To nourish economic roots and to stimulate cultural growth throughout a country becomes a labor which demands all resources of all people.

Individuals and groups of all ages and of all educational levels are in need of wisdom and skills with which to fashion better lives. There is an awakening to the urgent need for richer, more useful lives, and there is an awakening to the belief that learning has no age limit. More men and more groups of men are seeking the wisdom and the skills with which judgment, decision, and attitude may be fashioned. Individuals are seeking links with each other, with their families, and communities, and their governments and their world at large. Learning and living no longer are regarded as separate functions.

The individual and his family, and their immediate community are key units of society. Mature, responsible groups grow from mature, responsible individuals. To encourage such maturity and responsibility, it becomes the duty of a nation to provide the means for continuing education among its people.

University programs of instruction throughout the Nation devote by far the major portion of their time and effort to the preservice preparation of resident students. This is central and a highly important function to perform, but there

is a growing concern that the university serve the needs of those who have finished their formal education. Much is being done through conference, general extension, and agricultural extension, but an examination of this work indicate too often that it has been conceived of in the same general pattern as preservice education. Preservice education does not meet the needs of out-of-school students, who must continue their education on a voluntary basis and in their spare time. A new program is needed.

Continuing education, or adult education as it is more commonly known, is a program of organized experiences growing out of the interests and needs of people. Continuing education is not achieved by making courses, conferences, and extension programs available through repetition of their activities; it reaches its maximum effectiveness only when it provides continuous and systematic new learning experiences for the individual. Its method is informal and seeks to use an appropriate combination of resources. The content and method is determined by the nature of the problem, the resources available, and the information and skills of the people concerned. In summary, stating it another way—continuing education is a program of acting and doing and is based on knowing.

The evidence clearly indicates that the economic productivity of people can be increased through the use of appropriate educational programs. These educational opportunities in a free society should be distributed as widely as possible throughout the population. The educational offerings should be planned to provide a variety of opportunities for the individual citizen to meet his needs. These programs of education should be continuous, systematic, and available to the people irrespective of their age or of their educational background. Too long we have tended to think of education as a terminal proposition, primarily available to the young. We must provide educational opportunities for adults if we want to help adults to help themselves in the process of improving their economic well-being and enriching their quality of living.

Excerpts taken from statements prepared by Ralph E. Crow for Cleveland public schools.

"Adult education aims to extend opportunities for improved living to all people of all ages regardless of class, creed, or color. It is for everybody, regardless of how limited or how extended his formal schooling. It aims to prepare for upgrading those regularly employed, thereby increasing the efficiency of the workers on the job and preparing them for the next level of employment. It aims also to assist in preparing workers for employment in new fields. Many adult education activities serve as a tension release. This is particularly true in activities in which an opportunity is provided to create things. Adult-education programs should contribute to the development of individuals and groups fitting them to do intelligent, unbiased thinking so necessary in attempting to solve the ever-increasing political, economic, and social problems which confront people everywhere today."

"As industry is forced to apply new developments that result from an improved and expanding technology it becomes necessary for men to seek further training period. In a highly competitive industrial society, there is constant need for educational opportunities which will be useful to the individual changing from one job to another. This is not something that should be limited to the low-income groups, but should be available to the total population since this shift from an essentially agrarian economy to an industrial one affects all groups."

A statement taken from the American Association of School Administrators 1954 Yearbook:

"The constant redistribution of workers among occupations has come to be a characteristic feature of our economy. On the surface it might appear to create purely personal problems which individuals should solve for themselves. But when we consider that a large number of farm youths each decade have to shift to other occupations and that mature workers are often separated from their jobs because of technological advance or a change in the market, it is clear that here is matter vested with a public interest and one that involves policy decisions of a high order."

In the light of present world conditions it seems desirable that we develop to the maximum our economic, technological, and political strength. This we must do for ourselves, and we must continue to help less-well-developed areas of the world to do the same if our way of life is to be continued. This should be the guiding idea that shapes our policymaking, both here and abroad. This policy cannot be made and carried out unless we have an enlightened and re-

sponsible citizenry. Full support for such a program cannot come unless the people have the knowledge to understand and thus accept this political philosophy. Ours, technically, is a free society where freemen accept the notion that "Government derives its just power from the consent of the governed." Government needs to have at its disposal the moral strength and wisdom which flows to it out of the free will of the people. This strength and vitality is based upon a continuing broad program of education, particularly adult education.

A statement prepared by Howard Y. McClusky, of the University of Michigan: "If democracy means government by the governed, we cannot delegate citizenship. Every individual competent to pull his own load must reserve a spot in his life for direct participation in the management of his personal, social, political, and economic affairs, and it should be a major objective of adult education to assist adults to manage these affairs with competence."

There are so many forces competing for the time and loyalties of the adult that he needs ways and means to continue his learning throughout his lifetime. This is an adult-made world, adult controlled, and adult operated. It is not children or youth that make poor laws; low-income wages are paid by adults to adults, and it is precisely at this point training must be available because if we expect to make changes we must do it through an informed adult citizenry. It is no longer possible for the individual citizen to acquire in his youth the education necessary to serve him throughout his adult life. This is especially true in regard to his occupational pattern, which is undergoing rapid changes within a relatively short period. Old jobs give way to new ones. The division of labor creates new jobs where only one existed before, while science and invention give rise to new industrial economy providing many new jobs that require new training programs. The training opportunities must be provided in light of our shift from an agrarian economy to an industrial society, calling for specialized skills and understandings in mechanics, management, and professional skills.

The present basic adult educational programs are offered by Agricultural Extension Service, university general extension services, and the public-school systems. One of the best evidences of a job well done and one that has extended over a long period of time is the work done by land-grant colleges through the Agricultural Extension Service. This Service has repeatedly demonstrated its value to the rural population of America. Through the research and the work of the extension agent, farm production has been increased, and the lives of the farmer and his family have been enriched. The results of this program, when studied, become so convincing that it is difficult to understand why we have delayed so long in providing similar kinds of specialized service for other segments of the population. Before the passage of the Morrell Act creating the land-grant colleges, 85 percent of our population was needed to produce the essential foods and fibers necessary for the people of this country. Today we need less than 15 percent of the people to provide these services.

The land-grant college has contributed much to this progress in developing rural America and enriching the quality of rural life. This success, however, has contributed to the dislocation of millions of farmworkers. When these displaced workers seek jobs in industry and other kinds of employment, it becomes necessary for these people to have additional training. The mobility in our labor market makes it necessary that we have a system of continually offering additional educational opportunities to this group if they are to keep up in their production rate.

Recognizing the need of continuing education for groups other than those of an agricultural nature the senate of the Association of Land-Grant Colleges and Universities, at its meeting at East Lansing this year, approved the recommendations of its executive committee that Federal aid be sought for programs of adult education which would be administered through the general extension divisions of land-grant colleges and universities and the separated State universities. The executive committee of the association has been instructed to perfect the suggested legislation with a view of asking its consideration by the 2d session of the 84th Congress.

In taking this action, the leadership in the Federal system of land-grant colleges declares that "the widespread diffusion of practical and cultural information among the people of the several States is essential to our national security and general welfare." After 30 years of experience in providing extension services to the agricultural industry of America, these educators are now prepared to ask Congress to provide Federal assistance in supplying educational services to the nonagricultural section of our population.

It is significant to note that in a meeting of one of the councils of this association special attention was given to the problems facing the low-income families and unattached individuals in our society. This group, along with this joint committee, is searching for the means and methods of breaking the low-income cycle through the process of adult education. However, it is to be remembered that the founders of the land-grant program did not limit the program to the poor farmers, but made it available to the entire community. In this country, education has always been thought of not only as a means of increasing income but also as a means of extending and insuring a greater and more effective participation in the responsibilities of citizenship. The Founding Fathers recognized that in a society of freemen all men must be educated; hence they established the public-school system.

Thus we see that adult education is not a new idea. Adults have always tended to learn something from their experience and from the experience of the human race. Some have learned more than others. For most adults this learning has been purely accidental, unorganized, and sporadic. For some this adult learning has consisted of careful imitation and memorizing of the ways of their ancestors. For a limited number there has been some attempt to continue learning in a fairly systematic and thorough fashion. However, it should be pointed out that the use of training programs primarily conceived to meet the needs of secondary and college students do not adequately serve the needs and purposes of the adult. Most of our programs for adults now in operation have been patterned by the college or the high school.

Furthermore, these adult programs for the most part are provided by agencies whose primary interests are in fields other than that of adult education. Many of these programs have been conceived of in their beginning stages as a program to serve the needs of the "have-nots." A sampling of a few of the better of these widely divergent programs might be well to mention at this point. The Adult Education Council of Denver is an example of what is possible when agencies and organizations of a community plan and work together on common problems. The State Organization Service of the University of Minnesota's General University Extension is an example of the cooperative efforts of a university and private organizations working together to better the lives of the people served by the university and the State organizations involved in the adult program. An example of a small community program of adult education is the one inaugurated at Stephenson, Mich., and known as the community school service program. It operated upon the philosophy of involving the whole community in a democratic effort of improvement.

This is just to mention a few of the many adult education programs throughout this country that are in their more or less limited way attempting to improve the level of living for adults. But what is needed today is a broadened program of adult education which will unify these scattered programs using all of their resources and know-how and add to their courage and efficiency through cooperative planning and search for additional resources and service for many more groups.

Then, of course, there is a host of private and volunteer agencies providing many different types of educational programs for some particular segment of the population. This wide range of uncoordinated offerings constitute a hodgepodge and makes it extremely difficult for the adult to find the type of training experience that is really designed to serve his needs. It is true that more than ever before adults are participating in adult education activities but without direction or coordination of purposes. It is the quality rather than the quantity of such programs which is of greatest concern.

The pattern of organized programs as set up by the universities and public-school systems is familiar to the majority of people. And, as far as they go, they are doing a good work, but again there is the need for extension of their services and more people to become involved. Voluntary groups can be of immeasurable aid in instigating community adult education programs. They are doing much in this area, but the need for more trained leadership is becoming more and more apparent. Greater cooperation among various groups is vastly needed to further the efficiency of services offered and more involvement of all people of the community.

There are many organizations involved, it is true, but too often the same people are active in all organizations; particularly is this true of volunteer civic groups.

Organized labor groups are becoming increasingly aware of the need of an enlarged adult education program with labor and education working together

for the betterment of all. Universities are expanding their services to the labor unions. One of the first and most successful adult education programs carried on by a university and labor group was the University of Wisconsin School for Workers. The aim of such programs was to help organized labor to become a more active force in all phases of community, State, and National life. David E. Lilienthal, in his book, *This I Believe*, said, "Engineers can build us great dams, but only great people make a valley great." But in helping labor to become a more enlightened segment of our complex life today, we must not overlook the need for adult programs that will similarly serve management and professional groups.

The role of foundations in promoting the development of adult education programs is emerging as a very potent one. Their work is particularly useful in carrying on experimental programs, and, if the experiment merits it, the program can be incorporated into the total adult education program. This is not by any means the sole contribution that is made by foundations, but it is one that could not be made by other organizations involved in the adult education movement. The modern concept of the role of foundations embraces widely divergent purposes. By the nature of their organization, they are well equipped to serve in many capacities toward improving the well-being of people—they are, in fact, dedicated to this purpose. But they alone cannot begin to fulfill all the needs of a comprehensive adult education program. They are just one resource, and it will take all of our resources at the community, State, and National levels to adequately operate such a program.

The need for an adult education program at the national level is emphasized by the occupational shifts that occur so rapidly in our labor market. The agricultural worker from the South may go to Detroit to seek employment, only to find himself totally unprepared to deal with the problems he faces in the industrialized areas. Such problems can be better solved by a national program of continuing education working closely with State and community programs.

Excerpt taken from National Commission on Adult Education Finance, 1954:

"There is a wide variation in the proportion of the adult population reached by adult schools, from less than one out of every hundred adults to more than 1 out of every 5. This variation is best explained by the availability of adequate State aid for general adult education. Only 10 States have provided reasonably adequate aid, while another 10 grant token aid only, and the remaining 28 grant no aid. In the States with considerable aid, there is nearly three times the adult participation in relation to adult population as in the States which have little or no aid."

Educators are quick to point out that an adequate job of adult education cannot be done without Federal support and a national program on which to operate. This is particularly significant when it is realized that in some of the States not over 50 percent of the most capable high-school graduates ever pursue further training. This in itself is a reason for community, State, and National programs of adult education to be put into operation. This is further evidence that the proposal of the Senate of the Association of Land Grant Colleges and Universities to ask for Federal aid to be given to adult education programs should be given serious consideration by the Government.

The core of a successful adult education program is to be found in the community programs.

Statement taken from Adult Education: Sheats, Jayne, Spence:

"Moral values are the values by which men live, the ideals for whose sake they find life worth living. The purpose of adult education is to enrich life, to make it more worthwhile—in other words, to find those values that can make our lives more meaningful."

In other words, the core of an adult program is to be found in the community program for it is there that we meet face to face in solving our problems. But these programs need to be coordinated at the State and National level to be most effective. Here again the pattern used by the Agricultural Extension Service is a good one to follow. Such a pattern would seem to more nearly equalize the opportunities offered the State and the community in their adult education programs.

The need of such a program at the national level would solve many of the problems of a heterogeneous program that has grown out of bounds.

Taken from statements by Howard Y. McClusky, of the University of Michigan:

"Adult education, therefore, should acquire some design. A comprehensive program of adult education should serve the interests of the entire community. It must avoid the clamor of special interests, going beyond the habitually vocifer-

ous for publicity, and beyond traditional leadership for support. Potentially, it must be accepted by all groups and must be as universal as possible in its appeal. Adult education, therefore, is too large for any one agency. It requires the combined planning of all organizations, and the coordinating service of some general group responsive to every nook and cranny of the neighborhood, continuously investigating, planning, and acting in the interests of the community as a whole."

In other words the problem of a comprehensive program of adult education is one of organization or design.

Mr. BOLLING. Mr. McCaskill.

STATEMENT OF JAMES McCASKILL, DIRECTOR, DIVISION OF LEGISLATION AND FEDERAL RELATIONS, NATIONAL EDUCATION ASSOCIATION

Mr. McCASKILL. Mr. Chairman, first, I should like to express the sincere regret of Dr. Carr, executive secretary of the National Education Association, at his inability to be here this morning. He has appeared several times before subcommittees of the joint committee. He would like for you to know that he has enjoyed and profited from those sessions, and he hopes that it will be possible to meet with other subcommittees in the future.

My remarks to you at this time will attempt to summarize the detailed statement of the relation of education to the problem of low-income families. This summary comes from a study prepared by the NEA, research division, copies of which are attached to the printed statement which has been submitted to you. The first part deals with education and family income.

The studies by this subcommittee and the Federal Reserve Board show a high correlation between income and educational attainment among the nonfarm occupations.

The NEA study emphasizes the growing tendency among employers to require high-school graduation as a minimum prerequisite for desirable employment in industry. This is one of the best indications of the value of education as a factor in the solution of the problem of the low-income group.

The NEA study also highlights the problem of the rural farm population group. Whether a lack of education causes the low-income level in this case, or whether low incomes have prevented the attainment of higher educational standards, cannot be shown statistically. However, all evidence suggests that additional funds for better rural schools would be a productive investment.

If the United States has not yet achieved equal educational opportunity for all citizens according to their needs, it has made rapid progress toward that goal in the last 50 years. The best evidence of this is in the growth of the educational system itself. In 1900 public elementary and secondary schools enrolled less than three-fourths of school-age children, 5 to 17 years. In 1950, 82 percent of the school-age population was enrolled. While public elementary-school enrollments rose from 15 to 25 million during the same period, high-school enrollments increased elevenfold. The percent of enrolled pupils who were in average daily attendance was 88.7 in 1950 as compared with 68.6 percent in 1900.

Graduates of the year 1950 from both public and private high schools numbered more than half of the 17-year-old population. Their number rose from only 94,883, or 6.4 percent of the 17-year-old popula-

tion of the Nation in 1900, to 1.2 million over the intervening 50 years.

The very existence of families with incomes too low to support an adequate level of living is an obstacle to the provision of a satisfactory educational opportunity. The low productive capacity of these families pulls down the income level of the communities in which they live and may thus reduce the fiscal support for the educational program which the community ought to provide for all of the children of the community. As the income level of the community is reduced the need of public health and welfare services will probably be increased, with the result that there will be even less money available for other public functions such as schools.

This effect may not be confined to the current generation. It may result in a progressive lowering of earning power, educational standards, and health and welfare conditions through successive generations. Children having exceptional ability may go undiscovered or, if discovered, may be deprived, through lack of funds, of the kind of education for which they are especially fitted. The community may drop further and further below the average of communities of its type, in the State in which it is located, and in the Nation. This is probably not too inaccurate a picture of what has already happened in some rural areas. If there is the same sequence of events in other areas, both State and National income will suffer.

Of late, new threats to the continuance of educational progress have arisen which will further complicate the problem.

Teacher and classroom shortages have resulted in overcrowded classes and half-day sessions. Under such conditions teachers are thwarted in their attempts to meet the individual needs of their pupils. If the number of qualified teachers required for our elementary and high schools cannot be found, the result will be an impairment of the quality of instruction. All of the next generation of workers, high and low, who received their early education in the public schools, will suffer a loss.

There is rather general agreement today that education deserves a considerable part of the credit for the growth in economic productivity in the United States during the past two decades. It is hardly necessary to say that this growth would have been even greater had the Nation made the fullest and wisest use of its manpower resources during that period. The existence of low-income groups in our population means a waste of valuable human resources. There may have been a time when the Nation could afford such a waste. At present when the maintenance of the highest possible level of national production is vital these families, with their low incomes, substandard level of living, and lack of education, are a threat to our national leadership.

What can education do to increase the earning power and, hence, the productive capacity of these groups? First of all, either the local school unit, or the State, or the Federal Government, or all three in combination, can see to it that the children of these families are educated in uncrowded classes, taught by competent, fully qualified teachers. Of course, this same provision should be made for the education of all the children of the Nation. There is no intention to imply that special provision, different from that in other schools and classes, should be made for this group of children.

Two other suggestions have been made: (a) for more vocational education, and (b) for grants of Federal scholarships.

Vocational education: More aid for vocational education would probably be a paying investment for the Federal Government. At present the States and local-school units are spending 4 or 5 times as much as the Federal Government. At what educational level should new courses be provided? The National Manpower Council recommends no vocational courses until the high school is reached and no intensive specialization until after the close of the second year of high school. Courses should be kept flexible to permit the transference of skills in response to technological changes. There is a need for more occupational information.

Would Federal scholarships be an effective way of making a high-school or a college education accessible to those otherwise economically unable to obtain it? To be effective, the amounts of Federal scholarships to civilians would have to be at least as large as those granted to veterans under the GI bill of rights. They would probably have to be more numerous, also, unless granted solely on the basis of evidence of financial need. If that were to be the sole criterion, such a program would be quite difficult to administer.

In any case, there is need for the distribution of funds through normal channels to the schools and educational institutions for programs which are at present undersupported. If, in addition, a program of scholarship aid is undertaken, its general administration should also be placed in the United States Office of Education.

(The complete statement of Mr. McCaskill is as follows:)

THE RELATION OF EDUCATION TO THE PROBLEM OF LOW-INCOME FAMILIES

Testimony by the National Education Association, Joint Committee on the Economic Report, November 1955

In this day of high production, almost full employment, and improved living standards, poverty for part of the population still exists. In 1954, 1 out of every 11 of the almost 42 million families in the Nation had an annual income of less than \$1,000. About 1 out of every 5 received an income of less than \$2,000. In addition, there were 4.5 million individuals living as one-member families on incomes of less than \$1,000 and 6.5 million individuals living on incomes of less than \$2,000.¹ The income referred to is "total money income before taxes."²

Six years ago the Subcommittee on Low-Income Families of the Joint Committee on the Economic Report made a study of families with incomes of less than \$2,000, similar to what is now undertaken.³ A comparison of the facts which that subcommittee assembled for the year 1948 with information compiled by the present subcommittee for 1954 shows that the situation with respect to low-income families has slightly improved.

The number of families with incomes of less than \$2,000 has dropped from 9.6 million to 8.3 million. There has been a decline in the number of families which received incomes of less than \$1,000, from 4 million to 3.7 million. Meanwhile, the total number of families in the Nation rose from 38.5 million to about 42 million.

A complexity of factors determines the level of family income. Prominent among these factors are: Geographical region of residence, type of area of residence (urban, rural farm, or rural nonfarm) age, health (size of family, oc-

¹ Unless stated otherwise, figures quoted on low-income families refer to two-or-more member families.

² U. S. Department of Commerce, Bureau of the Census. Family Income Equals 1953 Level: Up 7 Percent Over 1952. Current Population Reports, Consumer Income, Series P-60, No. 18. Washington, D. C.: Superintendent of Documents, Government Printing Office, October 7, 1955. 2 pp.

³ U. S. 81st Cong., 1st sess., Joint Committee on the Economic Report, Subcommittee on Low-Income Families. Low-Income Families and Economic Stability. Washington, D. C.: Superintendent of Documents, Government Printing Office, 1949. 138 pp.

cupational status, and education. It is with the last of these factors—education—that the following pages will be chiefly concerned.

EDUCATION AS RELATED TO FAMILY INCOME

The question is to what extent education—or the lack of it—has been responsible for the formation and perpetuation of low-income groups in our population. This question, of course, cannot be answered exactly. The effects of education are often indirect or deferred. Yet one of the circumstances which rather clearly reflects the influence of education upon the family income lies in the occupation engaged in by the head of the family.

Education and level of income in nonfarm occupations

Table 1 provides for the year 1954, a percentage distribution of spending units by income level, as reported by the Federal Reserve System, for farm operators and for each of six types of nonfarm occupations in which the heads of the units were engaged. Median incomes have been computed for each type of occupation.

The lowest median income reported in table 1 for any group of spending units is \$2,080 for spending units headed by farm operators. This income is not strictly comparable with median incomes of urban residents. Because of this fact, the relation of education to incomes of farmers will be discussed separately in later pages.

TABLE 1.—Percent distribution of spending units by income level and occupation of head, 1954

Occupational group 1	Income level						Median income
	Under \$2,000 2	\$2,000 to \$2,999 3	\$3,000 to \$3,999 4	\$4,000 to \$4,999 5	\$5,000 to \$7,499 6	\$7,500 and over 7	
	Percent	Percent	Percent	Percent	Percent	Percent	
Professional and semiprofessional.....	4	5	13	12	32	34	\$6,020
Managerial.....	4	3	12	12	38	31	5,860
Self-employed.....	9	7	10	15	22	37	5,710
Clerical and sales.....	11	19	18	22	20	10	3,980
Skilled and semiskilled.....	6	12	23	21	32	6	4,390
Unskilled and service.....	33	22	21	10	12	2	2,810
Farm operator.....	48	16	11	7	11	7	2,080

Source: Federal Reserve System, 1955 Survey of Consumer Finances: The Financial Position of Consumers. Federal Reserve Bulletin 41: 615; June 1955. Supplementary table 2.

As might be expected, spending units headed by professional and semiprofessional workers had the highest median income of any of the six nonfarm groups in 1954. This is the group which has the highest requirements with respect to educational qualifications. Incomes of this group and the managerial group had a greater tendency than those of other groups to be concentrated in the higher income brackets. The lowest median income reported for units of any of the six types of nonfarm occupations is \$2,810 for units headed by unskilled and service workers—those types of occupations for which required educational qualifications are lowest.

Also based on data reported by the Federal Reserve System's Survey of Consumer Finances are figures computed by the staff of the Subcommittee on Low-Income Families of 1955 on median incomes of spending units, classified according to the age and education of the heads of the units.⁴

The staff of the subcommittee computed medians for each of the 3 years 1952, 1953, and 1954. The figures for 1954 are, in general, typical of those for all 3 years. They show that for every age group, the median income of units, the heads of which had attended college, was higher than those of units with heads of the corresponding age groups who had discontinued their formal education

⁴ U. S. 84th Cong., 1st sess., Joint Committee on the Economic Report, staff of the Subcommittee on Low-Income Families. Characteristics of the Low-Income Population and Related Federal Programs. Washington, D. C.: Superintendent of Documents, Government Printing Office, 1955. Table 7-A, p. 28.

during or at the end of the high-school course. This difference between median income at the college and high-school levels increased in favor of the college group with each successive age group through that of 45 to 54. There was a difference in median income of \$230 between these 2 educational levels for the age group, 18 to 24; \$720 for the age group, 25 to 34; \$2,000 for the age group, 35 to 44; and \$2,390 for the age group, 45 to 54. In the age group, 55 to 64, the difference in median income between the 2 educational levels was smaller but still it was \$1,250. The median income of college-educated heads of units, 65 years of age or over, is not shown.

In the same way, median income of spending units, the heads of which had attended high school, was higher for every age group than the median income of spending units headed by persons who had completed only eight grades of school, or less. The trend from age group to age group, however, in the amount of the difference in median incomes of units at these two educational levels, was downward, instead of upward as in the comparison between units at the college and high-school levels.

The median income of units headed by persons with only an elementary-school education is not reported for the age group, 18 to 24. For the age group, 25 to 34, the median income of units headed by persons with at least some high-school education was \$1,860 higher than the median income of units headed by persons whose education had not progressed beyond the eighth grade. In the next age group, 35 to 44, this difference fell to \$1,420. It fell again to \$1,060 for the age group, 45 to 54; and to \$1,380 for the age group, 55 to 64. For units headed by persons 65 years of age or over, it was \$510 in favor of the more highly educated group. The larger amount of these differences in the younger age groups reflects the increasing value of a high-school education to young persons entering industry in a period of rapidly advancing technology.

TABLE 2.—Median incomes of heads of spending units, classified by age and education¹ of heads of units, 1954

Age of head of unit (1)	Median income of unit by education of head of unit				
	Elementary grades,	High-school grades		College	
	Amount (2)	Amount (3)	Amount in excess of elementary (4)	Amount (5)	Amount in excess of high school (6)
18 to 24.....	(?)	\$2,630	(?)	\$2,860	\$230
25 to 34.....	\$3,110	4,970	\$1,860	5,690	720
35 to 44.....	3,490	4,910	1,420	6,910	2,000
45 to 54.....	3,530	4,590	1,060	6,980	2,390
55 to 64.....	2,810	4,190	1,380	5,440	1,250
65 and over.....	1,260	1,770	510	(?)	-----

¹ Education signifies attendance but not necessarily graduation.

² Not reported.

Source: U. S. 84th Cong., Joint Committee on the Economic Report, staff of the subcommittee on Low-Income Families. Characteristics of the Low-Income Population and Related Federal Programs. Washington, D. C.: Superintendent of Documents, Government Printing Office, 1955. 240 p. Table 7-A, p. 28, adapted.

There is a growing tendency among employers to demand high-school graduation as a minimum prerequisite for desirable employment in industry.⁵ This is one of the best indications of the value of education as a factor in the solution of the problem of low-income groups. If present trends continue, both the incomes and the productive capacity of our workers will increase; but it may be more difficult for persons who lack the required educational qualifications to find employment. There will be further discussion of these questions later in these pages.

⁵ National Manpower Council: A Policy for Skilled Manpower, New York, Columbia University Press, 1954, p. 21.

Education and income in rural farm areas

Per capita income is lower in the Southeast than in any of the other geographic regions of the Nation.⁶ In 1954 it was \$1,233 in the Southeast, as compared with \$1,770 for the Nation as a whole. By contrast, in the Far West it was \$2,094. It was \$2,000 in the Middle East, \$1,935 in New England, \$1,920 in the Central States, and \$1,583 in the Northwest, and \$1,544 in the Southwest. The States which make up the southeast region, according to the classification used by the United States Department of Commerce in reporting estimates of per capita income, are Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, and Virginia.⁷

Of all geographical regions in the Nation, school expenditures are lowest in the Southeast. In every one of the States listed in the preceding paragraph, the current expenditure per pupil in average daily attendance in the public schools in 1952 was below the national average of \$244.24. Figures already available for certain of these States for 1954 indicate that this relationship still holds. It is estimated on the basis of figures for 34 States and the District of Columbia that the average current expenditure per pupil in average daily attendance in 1954 was \$266.⁸

The average salary paid to members of the instructional staff of the public schools in the United States was \$3,450 in 1952. The highest average paid by any of the States of the southeastern region, as defined for purposes of reporting personal income, by the Department of Commerce, was \$3,282 in North Carolina. The lowest was \$1,617 in Mississippi. If we include the whole South, as defined by the Bureau of the Census, the national average was exceeded by two States, Maryland and Delaware, both of which are high-income States, with a more limited proportion of low farm incomes. As in 1952, in 1954 none of the States of the southeastern area, for which figures have been published, paid teachers more than the estimated national average of \$3,835. In the South, as defined by the Bureau of the Census, both Delaware and Texas exceeded the national average.

Illiteracy has ceased to be a major national problem in the United States. Only 2.5 percent of the total population 14 years of age or over was classed as illiterate in October 1952. This percent was 2.0 percent for the urban population and 2.1 percent for the rural nonfarm population, but it was 5.7 percent of the rural farm population 14 years of age or over. An illiterate person, as defined by the Bureau of the Census, is one who cannot "both read and write a simple message either in English or any other language."⁹ The Bureau of the Census also reports that children in the rural farm areas leave school without having reached the high-school grades more frequently than children in other parts of the country. The median number of years of school completed by the population, 25 years old or older, in all areas of the United States, as of October 1952, was 10.1 years. For the urban population the median was 10.8 years, and for the rural nonfarm population it was 9.7 years. It was only 8.5 years for the rural farm population. Approximately 6 in 10 of the rural farm population, therefore, have had an eighth-grade education or less.

There is little doubt that the relationship between poverty and low educational standards among our rural farm population is close. Whether a lack of education causes the low-income level, or whether the low incomes have prevented the attainment of higher educational standards cannot be shown statistically. It seems probably that each causes the other. Everything possible should be done to lift the prevailing levels of both education and income in these areas. All evidence suggests that the additional funds for better schools for our rural farm children would be a productive investment.

⁶ Schwartz, Charles F., and Graham, Robert E., Jr.: *Personal Income by States, 1929-54*, Survey of Current Business 35: 12-22, 32: September 1955.

⁷ These States comprise all of the area designated by the U. S. Bureau of the Census, as "the South," except the three South Atlantic States, Delaware, Maryland, and West Virginia, and the two West South Central States, Texas and Oklahoma.

⁸ U. S. Department of Health, Education, and Welfare, Office of Education: *Statistics of State School Systems, 1951-52*, Biennial Survey of Education in the United States, 1950-52, Washington, D. C., Superintendent of Documents, Government Printing Office, 1955. Chapter 2, 105 pp., also: Schloss, Samuel, and Hobson, Carol Joy, *Preliminary Statistics of State School Systems, 1953-54*; Provisional Data for 35 States and Estimates for Continental United States. Statistical Circular, No. 459, Washington, D. C., U. S. Department of Health, Education, and Welfare, Office of Education, September 1955 (offset), 4 pp.

⁹ U. S. Department of Commerce, Bureau of the Census: *School Enrollment, Educational Attainment, and Illiteracy*, October 1952. Current Population Reports, Series P-20, No. 45, Washington, D. C., the Bureau, October 22, 1953, 23 pp.

GOALS OF AMERICAN EDUCATION

What education in America should seek to accomplish has been described as follows:

"An adequate educational program should enable the American people to live happily and usefully while contributing to the development and preservation of a democratic order. This means educational opportunity regardless of economic status, so oriented as to promote physical, mental, and emotional health. It involves emphasis upon self-direction in study and learning, an opportunity to learn through doing, a chance to know and to practice democratic group living. It calls for methods of teaching, educational content, and a length of schooling adapted to individual and social requirements."¹⁰

The need of universal education in a democracy was recognized by the founders of this Republic although it did not become a substantial accomplishment until the beginning of the 19th century. Then, it was the creation of the States and local governments although the Federal Government encouraged its development through grants of lands and funds.

The fact that the United States was the first among the nations to establish a system of universal public education and the "grassroots" origin of this system has been followed by the emergence of this country as the leader of the Western nations in the present struggle between democracy and totalitarianism. A required qualification for this international leadership was the possession of an educated population, oriented to democratic living and processes of government.

Education should not end with the provision of a basic literacy. It should bring within the reach of all persons the knowledge and understanding which will enable them to live happily, healthfully, and productively, within the framework of a democratic society. The individual citizen should have the opportunity to obtain the kind of education which is best fitted to his needs, and he should have this opportunity regardless of his economic status. Such equality of educational opportunity has long been a recognized aim of American education. But it is an aim which has not been fully achieved. A low level of educational attainment generally characterizes families on substandard incomes, both on farms and in cities. As long as this situation continues to exist, American education has an unfinished task before it.

Progress toward goals

If the United States has not yet achieved equal educational opportunity for all citizens according to their needs, it has made rapid progress toward that goal in the last 50 years. The best evidence of this is in the growth of the educational system itself. In 1900, public elementary and secondary schools enrolled less than three-fourths of school-age children (5 to 17 years). In 1950, 82 percent of the school-age population was enrolled. While public elementary-school enrollments rose from 15 to 25 million during the same period, high-school enrollments increased elevenfold. The percent of enrolled pupils who were in average daily attendance was 88.7 in 1950, as compared with 68.6 percent in 1900.

Graduates of the year 1950 from both public and private high schools numbered more than half of the 17-year-old population. Their number rose from only 94,883, or 6.4 percent of the 17-year-old population of the Nation in 1900, to 1.2 million over the intervening 50 years.¹¹

Obstacles to the attainment of educational goals

The very existence of families with incomes too low to support an adequate level of living is an obstacle to the provision of a satisfactory educational opportunity. The low-productive capacity of these families pulls down the income level of the communities in which they live and may thus reduce the fiscal support for the educational program which the community ought to provide for all of the children of the community. As the income level of the community is reduced, the need of public health and welfare services will probably be increased, with the result that there will be even less money available for other public functions such as schools.

¹⁰ Carr, William G., *Education, America's Needs and Resources* (compiled by J. Frederic Dewhurst & Associates), New York, Twentieth Century Fund, 1955, ch. 12, p. 402.

¹¹ U. S. Department of Health, Education, and Welfare, Office of Education: *Statistical Summary of Education, 1951-52; Biennial Survey of Education in the United States, 1950-52*; Washington, D. C., Superintendent of Documents, Government Printing Office, 1955, ch. 1, 65 pp., tables 11 and 15, pp. 18-19, 22.

This effect may not be confined to the current generation. It may result in a progressive lowering of earning power, educational standards, and health and welfare conditions through successive generations. Children having exceptional ability may go undiscovered or, if discovered, may be deprived, through lack of funds, of the kind of education for which they are especially fitted. The community may drop further and further below the average of communities of its type, in the State in which it is located, and in the Nation. This is probably not too inaccurate a picture of what has already happened in some rural areas. If there is the same sequence of events in other areas, both State and National income will suffer.

Of late, new threats to the continuance of educational progress have arisen which will further complicate the problem.

In the first place, the task of the public schools has increased enormously. As a result of the rising birth rate and consequent increased enrollments, this task will continue to grow. School facilities are overtaxed in many communities. A shortage of buildings has developed. The rising tide of enrollments is just now beginning to reach the high schools. Colleges and universities are already bracing themselves for what they call the tidal wave of admissions.

A shortage of teachers has also developed. Of the total number of graduates of American colleges and universities in the class of 1955, there were 35,278 young men and women who were professionally qualified to enter elementary-school teaching and 51,418 graduates who were qualified to teach in high schools. The estimated demand for elementary-school teachers was 70,403, about twice as great as the supply. For new high-school teachers, the demand and the supply were found to be in approximate balance, but high-school enrollments will rise steeply in the next few years creating a corresponding rise in the need for high-school teachers. Demand here refers to the number of teachers needed to provide for (a) replacements, (b) growing enrollments, (c) reduction of oversize classes, (d) demands for added services, and (e) replacement of underqualified teachers. Furthermore, on the basis of past experience, only 56 percent of the graduates prepared for high-school teaching can be expected to take teaching positions.¹²

Teacher and classroom shortages have resulted in overcrowded classes and half-day sessions. Under such conditions teachers are thwarted in their attempts to meet the individual needs of their pupils. If the number of qualified teachers required for our elementary and high schools cannot be found, the result will be an impairment of the quality of instruction. All of the next generation of workers, high and low, who received their early education in the public schools, will suffer a loss.

EDUCATION AND NATIONAL PRODUCTIVE CAPACITY

There is rather general agreement today that education deserves a considerable part of the credit for the growth in economic productivity in the United States during the past two decades. It is hardly necessary to say that this growth would have been even greater had the Nation made the fullest and wisest use of its manpower resources during that period. The existence of low-income groups in our population means a waste of valuable human resources. There may have been a time when the Nation could afford such a waste. At present when the maintenance of the highest possible level of national production is vital, these families with their low incomes, substandard level of living, and lack of education are a threat to our national leadership.

What can education do to increase the earning power and hence the productive capacity of these groups? First of all, either the local school unit, or the State, or the Federal Government, or all three in combination can see to it that the children of these families are educated in uncrowded classes, taught by competent, fully qualified teachers. Of course, this same provision should be made for the education of all the children of the Nation. There is no intention to imply that special provision, different from that in other schools and classes, should be made for this group of children.

Should there be more vocational education?

One of the questions which frequently arises concerning the education of children of low-income families is whether the schools should offer more vocational education. More aid for vocational education would probably be a paying invest-

¹² National Education Association, research division. The 1955 Teacher Supply and Demand Report. *Journal of Teacher Education* 6: 23-71; March 1955.

ment. At present the States and local school units are spending between 4 and 5 times as much as the Federal Government for this purpose.

At what educational level should these courses be provided? The National Manpower Council recommends no vocational courses until the high school is reached and no intensive vocational specialization until after the close of the second year in high school.²³ The council further recommends that the courses given be kept flexible to permit the transference of skills from one occupation to another, as technological changes in our industrial system or other circumstances require. Supplementing vocational education there should be more occupational information. Children, especially those who come from families of limited income and education, need to know the occupational opportunities available to them and the training requirements for the various occupations. More and earlier information on these subjects would help to create a desire for a higher level of training.

The question of Federal scholarships

Would Federal scholarships be an effective way of making a high school or a college education accessible to those otherwise economically unable to obtain it? To be effective, the amounts of Federal scholarships to civilians would have to be at least as large as those granted to veterans under the GI bill of rights. They would probably have to be more numerous, also, unless granted or rejected solely on the basis of evidence of financial need. Such a criterion would be very difficult to administer.

In any case, there is need for the distribution of funds through normal channels to the schools and educational institutions for programs which are at present undersupported. If, in addition, a program of scholarship aid is undertaken, its general administration should also be placed in the United States Office of Education.

Mr. BOLLING. I came across some very interesting figures the other day which certainly show the money value of education. In effect, those were not dissimilar from those mentioned by Mr. Brownell. It has been estimated that the lifetime income is \$58,000 for men who had not attended school at all compared with \$268,000 for those who had 4 years or more of college. These figures relate to estimates of the total income received from the age 22 to age 74, or until death if death occurs before the age 74.

I shall insert this report of Dr. Paul C. Glick, from which these figures came, into the record.

(The material referred to is as follows:)

EDUCATIONAL ATTAINMENT AND OCCUPATIONAL ADVANCEMENT¹

Paul C. Glick, United States Bureau of the Census

This paper deals with the relationship between the amount of education men have received and the level of the occupational scale at which they begin to work, the rate at which they advance, and the height to which they climb by the time they reach their most productive period of life. The analysis is based on information collected in the United States Census of Population in 1950. Shifts in occupation and income throughout the working years are inferred from an examination of occupation and income distributions for persons in successively older age groups in 1950 who had prepared themselves for their work with differing amounts of education.² This may be called the "cross-sectional approach."

²³ National Manpower Council, op. cit., p. 4.

¹ Paper presented at the Second World Congress of the International Sociological Association held in Liege, August 24-September 1, 1953.

² The tables containing the basic data were published in a special report of the U. S. Bureau of the Census entitled "Education." In this report, other tables show age by education further classified by such additional characteristics as ethnic characteristics, marital status, residential mobility, and employment status. The figures are presented for the United States as a whole and for broad regions, with separate figures for males and females. In a special report of the 1940 census, entitled "Educational Attainment by Economic Characteristics and Marital Status," similar data on employment status, occupation, marital status, and other subjects were published for native white persons and Negroes.

Statistics for a study of this kind might have been collected by another method, wherein the shifts in the occupations and incomes of specific individuals are traced throughout their working years and the accumulated data are then analyzed for persons with given amounts of education. This may be called the "longitudinal approach." The latter approach has the advantage of indicating progress made by specified persons between specified ages, whereas the cross-sectional approach indicates only the prevailing direction and net effects of the shifts which persons have made from one age to another. The longitudinal approach, however, is much more complex and may be subject to special types of problems; detailed work histories for each person must be requested from establishments, which may have destroyed their old records, or from respondents, whose memories of changes in the remote past may be quite faulty. Partly because of the greater cost involved in obtaining statistics by the longitudinal approach, there are no data of this type available in the United States on a nationwide basis.³

Coverage and other limitations.

In neither the longitudinal nor the cross-sectional approach is it possible to avoid many of the complications which arise because of the changing distributions of the population by age, education, occupation, and income. For decades, there have been tendencies for more of the population to be found in the older age groups, in the higher education classes, in the nonfarm occupations, and, especially during recent years, in the higher income groups. These tendencies reflect, among other things, changes in the birthrate and rising standards of living. In the future, there will undoubtedly be further changes in the level of business activity and in the demand for specific types of skills which will affect the job prospects for men at various phases of their life cycles. We shall simply call attention here to these complications and acknowledge the need for reexamining the relationships between education and occupational advancement as new data become available.

Most of the statistics presented in this paper are for men between the ages of 22 and 74 years of age. The great majority of persons employed outside the home are men; moreover, since the patterns of employment of women differ so greatly from those of men, it would not be appropriate either to treat both sexes combined or to extend the paper sufficiently to treat them separately. The age span was limited at the lower end in order to begin the analysis at about the age when most persons have completed their schooling; it was limited at both the lower and the upper ends because much of the work done before age 22 and after age 74 is part-time work and often bears little relationship to the type of work done in the long period of full-time economic activity. In addition, by establishing the upper age limit at 74, difficulties in dealing with an open-end class, 75 years and over, were avoided in the detailed work required to prepare estimates of lifetime income.

The statistics on education by occupation and age are limited to employed persons. The fact that the employment rates at the older ages bear a strong positive correlation with educational attainment should be kept in mind in interpreting the data on occupational changes during the later years of life.

All of the figures for 1950 were based on a special tabulation of a 3½-percent sample of the population returns. Since these figures are based on a sample, they are subject to sampling variability. Inasmuch as all of the results shown are for the United States as a whole, for which most of the basic numbers are fairly large, however, the sampling variability of the figures is quite small, on the average.

Education and age

The improvement in the educational level of the population during three generations may be deduced from the 1950 data on education by age. Young men in their late twenties in 1950 had, on the average, a full high-school education, that is, had completed 12 years of formal education. Men in the age range 45 to 64 years include most of the fathers of these young men; the fathers' generation had attained only an elementary school education, that is, had completed only about 8 years of school. The grandfather's generation, which may be considered as comprising men 65 years old and over, had an average educational attainment that was less than a year below that of the

³ A noteworthy example of a longitudinal study is the cooperative survey of occupational mobility conducted in six cities in the United States in 1951 by Gladys L. Palmer, of the University of Pennsylvania industrial research department and associates in other universities. A summary of the findings is scheduled to be published in the near future.

fathers' generation. The most marked progress was made during the 1940's when the improvement in educational level for young men amounted to nearly 2 school years, on the average. A major factor in this achievement has undoubtedly been the financial assistance extended by the Federal Government to veterans of World War II who wished to resume their education after discharge from military service. An important consequence of this recent development has been a tendency for a relatively large proportion of the better educated men to be concentrated in the younger age groups.

Education and social class

The experiences of the last two decades in America have included first the great depression of the 1930's then World War II, and currently a sustained period of economic prosperity. These experiences have greatly affected the educational opportunities and also the careers of vast numbers of persons. They have helped to determine the specific fields of economic activity into which young men have been launched and have affected their chances of making subsequent shifts into other lines of activity. Despite these disturbing events, men with a certain level of education have tended to gravitate to the same broad social class as others in that educational level.⁴

For the present analysis, the major occupation groups used in the 1950 census tables have been divided into three broad groups or social classes: (1) Nonfarm white-collar workers, (2) nonfarm manual workers, and (3) farmworkers. The major occupation groups within each social class have been arranged so that those occupations into which younger men tend to be concentrated are listed first (see table 1). (In this classification, service workers were included with manual workers, less from choice than from a desire to avoid establishing a separate social class for them.) Among some types of workers, such as farmers and professional workers, most of the advancement may occur within one occupation group rather than between occupation groups. White-collar workers are, of course, the highest in regard to average educational level, nonfarm manual workers are generally intermediate, and farmworkers generally the lowest. Furthermore, as indicated above, men in the upper educational levels are most likely to continue working into old age.

TABLE 1.—Percent distribution by major occupation group, for employed males 22 to 74 years old, by years of school completed, for the United States, 1950

Major occupation group	Total employed males, 22 to 74 years old		Years of school completed						Median school years completed
			Elementary school		High school		College		
			Number ¹	Percent	Less than 5 years	5 to 8 years	1 to 3 years	4 years		1 to 3 years	4 years or more
Total.....	Thousands 35,644	-----	3,429	12,825	6,618	7,341	2,658	2,774	11.2
Percent.....	-----	100.0	100.0	100.0	100.0	100.0	100.0	100.0	-----
Nonfarm white-collar workers:									
Clerical and sales workers.....	4,463	12.5	3.2	6.5	12.7	21.0	26.9	15.1	12.3
Managers and proprietors.....	4,055	11.4	5.0	7.4	10.8	15.4	22.2	17.9	12.2
Professional workers.....	2,774	7.8	.8	1.2	2.5	6.1	17.3	55.0	16+
Nonfarm manual workers:									
Operatives.....	7,111	19.9	21.3	24.5	25.3	17.3	8.3	2.3	8.8
Craftsmen and foremen.....	7,044	19.8	12.6	22.1	25.2	22.3	13.1	4.5	9.5
Laborers.....	2,733	7.7	17.9	10.2	6.8	3.9	1.9	.7	8.1
Service workers.....	2,122	6.0	8.0	7.2	6.2	5.1	3.9	1.4	8.7
Farmworkers:									
Laborers.....	1,157	3.2	9.9	4.2	2.1	1.6	.8	.4	7.6
Farmers.....	3,894	10.9	20.2	15.8	7.7	6.6	4.7	2.0	8.3
Not reported.....	291	.8	1.0	.9	.8	.7	.8	.7	8.9

¹ The small number of males with school years not reported is excluded.
Source: Computed from table 11 of special report of 1950 census entitled "Education."

⁴ The writer wishes to acknowledge the helpful suggestions of David L. Kaplan of the U. S. Bureau of the Census in regard to the implications of treating the major occupation groups within the framework of broad social classes.

Education and occupation

The first education level shown in table 1 is that for men with fewer than 5 years of schooling. This group is sometimes referred to as functional illiterates, because few of the persons in the group have enough education to comprehend effectively the written material which is so essential in training persons to perform duties in our modern society. About two-thirds of them are over 45 years of age. Thirty percent of them are engaged in farming, and nearly half are engaged in the less skilled nonfarm manual occupations. About half of the men who reach the upper half of elementary school or who start high school but do not finish are either semiskilled or skilled workers (operatives, craftsmen, or foremen).

Among those who have finished high school, about 43 percent are white-collar workers, doing mostly clerical or managerial work. As at the lower educational levels, however, nonfarm manual workers are still in the majority among high-school graduates, with skilled workers being the single most numerous group.

The great majority of the men who have gone to college but have not graduated are white-collar workers, including mainly salesmen, clerical workers, managers, and proprietors; substantial numbers, however, are engaged in professional or technical work, or are skilled workers.

The greatest change in the occupational structure occurs between those who drop out of college and those who finish college. In this transition, the proportion of employed men in professional and technical occupations leaps from only about 17 percent for those with some college education but without a college degree to 55 percent for those with one or more college degrees.

Education by occupation and age

This brings us to a discussion of the nature and timing of occupational changes during the span of working years, for men who have attained a certain educational level.

(a) *Functional illiterates.*—As pointed out above, the lowest educational class includes those with no schooling or only 1 to 4 years of schooling; about one-tenth of all employed men 22 to 74 years old are found in this class. Among the youngest men in this class, farm laborers outnumber those in any other occupation group, and among the oldest men, farm operators outnumber those in any other occupation group. The proportion who are farm laborers declines sharply during the early adult years and the proportion who are farm operators shows a corresponding gain, so that farm operators predominate among farm workers above the age of 30. These facts are influenced by the migration, particularly of many farm laborers, to nonfarm areas during the young adult years and also by the greater tendency for farm workers than for nonfarm workers to remain in the labor force into old age.

Most of the younger nonfarm workers at the lower end of the educational scale are unskilled or semiskilled workers, but about 15 percent advance into skilled jobs by middle age. Above the age of 55, about 10 to 12 percent of this lowest educational group are employed as service workers, often as watchmen or guards in factories; these types of duties are commonly reserved for those older workmen, who, because of disability or loss of agility, can no longer perform heavier types of work or tasks requiring a great deal of precision.

(b) *Elementary school graduates.*—Let us consider next the men who quit school after having finished their elementary-school training. This is the group in which the semi-skilled and skilled workmen reach their maximum proportions. Among elementary-school graduates below the age of 45, operatives are the most numerous occupational groups. Examples of these semiskilled workmen include bus, taxi, and truckdrivers, brakemen on railroads, apprentices, and factory workers who do work that can generally be learned in a relatively short time. Above age 45, craftsmen and foremen—who include the more skilled factory workers—exceed each of the other nonfarm occupation groups.

Among elementary-school graduates, the proportion of unskilled laborers diminishes before middle age and remains relatively low thereafter, whereas the proportion of service workers goes up during middle and old age. A longitudinal study of occupational mobility of specific persons might show that such changes reflect, in large measure, still more complex shifts, like the movement of men before the prime of life from unskilled labor into semiskilled labor, thus replacing semi-skilled laborers who move into skilled labor; then, when the prime of life has been passed, the process may, to some extent, be reversed. In the latter phase, an important number of men (about 9 to 12 percent) in this rather low educational level find their way into a variety of service jobs.

Although the proportion of elementary-school graduates who are doing farm work is well below that for men with only a rudimentary education or none, it

is still between 15 and 30 percent for each age group; in addition, the number of farm operators exceeds the number of farm laborers by a wide margin at all ages above 25.

In the white-collar class, managers and proprietors first pass the point of constituting more than 10 percent among men who have finished elementary school. This point is reached at about age 45.

(c) *High school graduates.*—High-school graduates appear to occupy a transitional position between manual and white-collar predominance. A majority of high school graduates who have not gone on to college and who have not yet reached age 45 are in the nonfarm manual-worker class. By gradual stages, however, the proportion found in the white-collar class increases so that by the age of 45 years, a majority are found in this social class.

This shift from manual to white-collar predominance among high-school graduates above age 45 suggests some important implications. In the first place, it no doubt reflects past improvement in the educational level of the population. The relative scarcity of college-trained men over 45 years of age has left large numbers of responsible positions open to competition for high-school graduates, particularly in clerical, sales, managerial, and proprietary work—but not in professional and technical work. In the second place, the shift suggests that the average educational level of men in semi-skilled and skilled work is on the increase. To the extent that education facilitates understanding and performance of a job, the increase in educational level, in turn, should raise the productive capacity of such workers and consequently should raise the average remuneration for the type of work performed. And, in the third place, the shift calls attention to the fact that men in each broad field of occupational activity (white-collar and manual work) do not operate within a closed system; there is some occupational mobility across the hypothetical line which divides the manual from the white-collar workmen, but the amount may not be great. For instance, some highly skilled mechanics (craftsmen) become promoted to white-collar desk jobs as managers or sales representatives. Again, some skilled workers in industries such as plumbing, electrical work, and construction eventually set up business of their own and thus become proprietors.

(d) *College graduates.*—Finally, we come to the analysis of the occupational advancement of men with 4 years or more of college training. Most of these men have foregone several years of full-time employment in order to acquire a college degree. As would be expected, nearly all of the employed men of all ages who have a college education are white-collar workers. Furthermore, between 50 and 60 percent in each age group are professional or technical workers. Of the remaining white-collar workers, most of those under 30 years of age are in clerical or sales work and most of those over 35 years of age are employed in managerial or proprietary capacities.

College-trained men who obtain positions as managers or become proprietors of their own businesses are much more frequent among men of middle or older age. Despite the fact of their having a college education, men usually have to spend many years in the accumulation of the required experience or capital to embark on such a position, and these qualifications are ordinarily developed during a lengthy period of apprenticeship or of employment under the supervision of someone else.

Education and average annual income

As a climax to our analysis of the relationship between educational background and occupational advancement, we shall discuss briefly the average annual income and average lifetime income of men in the several educational levels. In this discussion, the degree of success associated with higher educational achievement is measured in terms of total money income from all sources.

The figures in table 2 show that the average annual income of adult males in the United States in 1949 was about \$3,000 and that there was a steady progression in average income among successively higher educational levels. Men who had finished elementary school received over two-thirds more income in 1949 than those with less than 5 years of schooling. In turn, high-school graduates received about one-third more income than elementary-school graduates, and college graduates received about two-thirds more than high-school graduates. In many cases, of course, the greater financial success of those with more education may be attributable less to superior educational attainment than to more generous financial assistance from parents or other relatives in starting a business operation. For instance, the same relatives who can afford to assist young men to complete a college education may also continue to help them financially after graduation or arrange with employers to give them desirable positions.

TABLE 2.—Average (mean) income in 1949, for males 22 to 74 years old, by years of school completed and age, for the United States, 1950

Age	Total males, 22 to 74 years old	No school years completed	Elementary school			High school		College	
			1 to 4 years	5 to 7 years	8 years	1 to 3 years	4 years	1 to 3 years	4 years or more
22 to 74 years.....	\$2,999	\$1,359	\$1,625	\$2,135	\$2,685	\$3,013	\$3,516	\$3,878	\$5,724
22 to 24 years.....	1,857	729	1,090	1,366	1,793	2,073	2,229	1,568	1,684
25 to 29 years.....	2,556	956	1,379	1,769	2,235	2,555	2,907	2,820	3,090
30 to 34 years.....	3,130	1,042	1,579	2,056	2,605	2,964	3,452	3,983	5,002
35 to 44 years.....	3,505	1,361	1,730	2,346	2,926	3,358	3,959	4,910	6,939
45 to 54 years.....	3,556	1,588	1,927	2,505	3,112	3,588	4,519	5,473	7,907
55 to 64 years.....	3,038	1,705	1,833	2,369	2,812	3,283	4,273	4,918	7,335
65 to 74 years.....	1,882	1,001	1,104	1,463	1,805	2,253	2,921	3,383	5,413

Source: Computed from table 12 of special report of 1950 Census entitled "Education," and from records.

If a person studies the average annual income figures of adult men by age, he notes that changes from the early years to peak years are generally much more pronounced for those with a better education and that the decline in income thereafter is much less abrupt. The lowest educational classes roughly double their incomes between the youngest age and the peak, then drop off in later years to about the level of those in the youngest age. A large proportion of those over 65 years of age in this less privileged group receive income only from sources other than earnings, such as old-age assistance. Elementary-school graduates start out at a level about as high as the lowest education classes reach in their prime but do not rise proportionately as much; however, their incomes also fall in their old age to about the same level at their starting point.

High-school graduates have higher average incomes at ages 22 to 24 than any other education class—higher even than college graduates. High-school graduates who have reached the age of 45 to 54 have double the income of those in their lower twenties, and they appear to suffer a smaller proportional decline in income in later years than those with less education. The figures show that college graduates 22 to 24 years old in 1950 had relatively low incomes in 1949 as compared with high-school graduates of the same age; the college graduates had had fewer years of work experience and many of the college graduates had been still attending school during 1949 and had earned nothing or only the income from part-time employment during 1949 (the year to which income relates). Above age 30, however, college graduates command a clear lead in annual income. In their early thirties they receive about \$5,000 per year and by the time they are 45 to 54 years of age they receive, on the average, almost \$8,000 per year. Moreover, their average incomes are still above \$5,000 when they are 65 to 74 years old.

Education and lifetime income

Since there is considerable interest in obtaining a summary indication of the money value of education, a special effort was made to determine the approximate lifetime incomes of men by educational level. In preparing these approximations, it was assumed that the survival rates for men 22 years old in each education class in 1950 would remain the same as those for white males in 1949, until they reached the age of 74 years, and that their incomes in future years would be the same as the averages in 1949 for successively older-age groups with a similar amount of education. The results are as follows:

Years of school completed:	Lifetime income ¹
Total.....	\$133,000
No school years completed.....	58,000
Elementary:	
1 to 4 years.....	72,000
5 to 7 years.....	93,000
8 years.....	116,000
High school:	
1 to 3 years.....	135,000
4 years.....	165,000
College:	
1 to 3 years.....	190,000
4 years or more.....	268,000

¹ Income of men from age 22 to age 74 or until death, if death occurs before age 74.

According to these figures, the average man living under the conditions set forth would receive a little over \$130,000 during his economically most active years (ages 22 to 74). The figures range from a little less than half this amount for men with no education to about twice this amount for college graduates. Furthermore, the figures indicate that a man with a college degree may receive approximately \$100,000 more income during the economically most active years of his life than a man whose education stopped with high-school graduation. The cost of a college education and the loss of earning power during the years of college attendance generally do not exceed a small fraction of this amount.⁵

The fact deserves repetition that the lifetime incomes presented above are only approximations and are subject to the conditions assumed in preparing them. Changes in these conditions would naturally change the findings. In future years the survival rates will very likely improve. The income rates were those for men in 1949 and certainly differ from those which might have been obtained if a less-prosperous or more-prosperous year had been used as the base. Whether conditions during the next 50 years will be more or less prosperous, on the average, than they were in 1949 is very difficult to foretell. The income figures used, however, do reflect the extent of illness, disability, unemployment, etc., which prevailed in 1949, a year in which the unemployment rate was higher than it has been in any other year since 1942. Also, since the average income figures used were all based on the experience for 1949, they have the advantage of representing constant dollar values for all periods of life.

Keeping these things in mind, the figures are presented in order that they may be used as an instructive model of what might be expected to happen in the future under a set of conditions that are fairly reasonable by current standards. Improvements in techniques and in source material may make it possible later on to determine with more precision the financial outlook of men with specified amounts of education.

Conclusion

This paper has presented statistical evidence of the positive correlation between amount of education and extent of occupational advancement for men 22 to 74 years old in the United States. The findings form the basis for making an appraisal of expected consequences, in terms of occupational status and income, of continuing education beyond a specified level. The facts presented show that there is a wide occupational distribution of men in each age group for those with a certain amount of schooling, but that definite patterns of occupational advancement are characteristic of men in each education class. Finally, data on average annual incomes and on average incomes during the economically most active years of life suggest that young men who are capable of continuing their education successfully toward the higher levels are likely to gain a distinct financial advantage thereby.

Mr. BOLLING. I am sure you all understand your full statements will appear in the record.

In addition to the gentlemen who are with us today, the subcommittee has received a number of statements from persons invited to submit their comments on topics listed for this morning's session. These statements will also be inserted in the record at the appropriate place. They were received from:

Henry David, executive director, National Manpower Council;
Charles P. Loomis, department of sociology and anthropology,
Michigan State University;

Robert A. Luke, assistant director, division of adult education services, Adult Education Association of the United States of America;

Very Rev. Maurice V. Shean, C. O., Catholic Order of the South;

⁵The U. S. Office of Education is conducting an extensive research project which is to reveal the average cost of a college education. Studies made during the 1930's of the cost of training at higher educational levels and comparative income levels by type of degree are cited in the book by Milton Friedman and Simon Kuznets, *Income from Independent Professional Practices* (New York: National Bureau of Economic Research, Inc., 1945), pp. 81-84.

Elizabeth W. Sutton, supervisor, pilot project on the education of migratory children, Northampton County, Va., and Palm Beach County, Fla.;

R. H. Wilson, executive secretary, National Association of State and Territorial Apprenticeship Directors;

Mrs. Gertrude Folks Zimand, National Child Labor Committee.

Those statements will be included in the record.

(The statements referred to are as follows:)

STATEMENT SUBMITTED ON BEHALF OF THE NATIONAL MANPOWER COUNCIL BY
HENRY DAVID ITS EXECUTIVE DIRECTOR

INTRODUCTION

The National Manpower Council, established at Columbia University in 1951, under a grant from the Ford Foundation, is an independent, nongovernmental body. Its purpose is to study significant manpower problems and to contribute to the improved development and utilization of the Nation's human resources. The 16 members of the National Manpower Council are:

Chairman, James D. Zellerbach, president, Crown Zellerbach Corp., San Francisco, Calif.; deputy chairman, John A. Krout, vice president and provost, Columbia University, New York, N. Y.; Robert B. Anderson, president, Ventures, Ltd., New York, N. Y.; Leo Bartemeier, medical director, the Seton Psychiatric Institute, Baltimore, Md.; Erwin D. Canham, editor-in-chief, the Christian Science Monitor, Boston, Mass.; Lee A. DuBridge, president, California Institute of Technology, Pasadena, Calif.; William H. Harrison, president, International Telephone & Telegraph Corp., New York, N. Y.; A. J. Hayes, president, International Association of Machinists, Washington, D. C.; Charles S. Johnson, president, Fisk University, Nashville, Tenn.; Robert M. MacIver, Lieber professor emeritus of political philosophy and sociology, Columbia University, New York, N. Y.; Wilbur C. Munnecke, business manager, Chicago Sun-Times, Chicago, Ill.; Frank W. Pierce, former director, Standard Oil Company of New Jersey, New York, N. Y.; Jacob S. Potofsky, president, Amalgamated Clothing Workers of America, New York, N. Y.; Roland R. Renne, president, Montana State College, Bozeman, Mont.; Sara E. Southall, personnel management consultant, Santa Fe, N. Mex.; Charles P. Taft, Headley, Sibbald & Taft, Cincinnati, Ohio.

Profs. Henry David and Eli Ginzberg, both of Columbia University, are respectively the council's executive director and director of staff studies.

The council's publications to date are:

Student Deferment and National Manpower Policy (New York: Columbia University Press, 1952.)

A Policy for Scientific and Professional Manpower (New York: Columbia University Press, 1953).

Proceedings of a Conference on the Utilization of Scientific and Professional Manpower (New York: Columbia University Press, 1954).

A Policy for Skilled Manpower (New York: Columbia University Press 1954).

In each of its studies, the council has pointed out that its primary concern is with the quality of the Nation's human resources—that is, with the training capacities, skills, competences, and creativeness of the American people. Because of this concern, the council has repeatedly focussed attention upon education as a major determinant of manpower development. In this context it has been concerned with the qualitative, as well as the quantitative, characteristics of the Nation's educational institutions and facilities and with problems relating to the extent and availability of educational opportunities. The council has not, however, dealt directly with the subject of the panel discussion of November 19, 1955, "Increasing educational opportunities of members of the low-income population."

PANEL DISCUSSION QUESTIONS

Nevertheless, the council's work permits broad answers to be made to several of the questions raised in connection with this subject. Its studies do support the contention that lack of education is a factor contributing to the low earnings of many individuals. The council's work suggests that there is a positive relationship between the type of education received and future earning capacity.

It may also be argued from the council's published material that an increase in educational opportunities could contribute to an improvement in the economic

position of low-income families. The council has taken no position on the specific need or justification for the expenditure of Federal funds to secure an expansion in educational opportunities or to assist financially the children of low-income families in order to encourage them to complete more years of schooling.

The council has urged an expansion of scholarship programs as one way of increasing the supply of scientific and professional manpower. Thus, in a policy for scientific and professional manpower, the council recommended that scholarship and fellowship programs, supported by private and public funds, be maintained and expanded to help more young people of ability to acquire a higher education.¹

Although the council has not reached a judgment on the extent to which existing vocational education programs may or may not contribute to an improvement in the economic status of low-income groups, it has recognized the positive role which vocational education plays in the acquisition of skill. It has, however, also pointed out that highly specialized and narrowly conceived vocational education at the high-school level is of dubious value both to the individual and the economy from the viewpoint of the greater development of the Nation's resources of skilled manpower.

The council's studies confirm the assertion that many individuals are in the wrong job, in terms of their skills and potentialities. It would be reasonable to infer that this situation is responsible, in the case of some of these individuals, for their low earning power. * * *

RELEVANT EXCERPTS FROM THE NATIONAL MANPOWER COUNCIL'S STATEMENTS AND RECOMMENDATIONS

The following excerpts from the statements and recommendations, which express the National Manpower Council's findings in each of its studies, relate more or less directly to the subject of the subcommittee's inquiry.

(1) In connection with the procedures used to select college students eligible for deferment from military service, the Council said:

"Deferment does not extend to all college students. It is not automatic. To qualify for deferment, students must achieve a passing score on the selective service college qualification test or maintain a specified class standing.

"The use of these two criteria is sound. Students who have attended elementary and secondary schools where the instruction is inferior are handicapped in taking the national test. But, because these young men can be deferred on the basis of their class standing, communities and regions with poorer educational facilities, such as some rural areas of the Southeast, are protected from losing a disproportionate number of their college-trained personnel.

"The present deferment program is limited to men already enrolled in college. It ignores the large number of able young men who never complete high school, or who graduate but fail to go on to college, very frequently for financial reasons. When young people of high scholastic aptitude who want to continue their studies are unable to develop their potentialities through college training, the country's manpower resources are being wasted. This is a loss which the country cannot afford. Voluntary groups, the schools, and the community have a major responsibility to encourage young men of ability who want to go to college to fulfill this aim."²

(2) In connection with the problem of why young men are rejected for military service, the Council observed:

"Since the outbreak of hostilities in Korea, more than 300,000 men have been rejected because they failed to achieve a passing grade on the Armed Forces qualification test, which is used to estimate a man's ability to absorb military training and perform effectively. To pass the test a man must be able to read. His score also depends on his ability to do simple sums, perceive spatial relations, and adjust to an unfamiliar testing situation. In regions where many boys attended school for a relatively short time, as in some rural areas of the Southeast and Southwest, and later made little use of what they learned, many fail the test.

"World War II experience clearly shows that if men are given the opportunity to regain the literacy skills they once possessed, they can readily absorb military training and perform effectively. A small additional investment in their training by the Armed Forces would enable many men now being rejected

¹ P. 27.

² Student Deferment and National Manpower Policy, pp. 10-11.

because they are poorly educated—not because they are mentally retarded—to become good servicemen.

"The country is investing in standby plants because they may be needed in time of full mobilization. It is even more desirable to make a far less expensive investment in its poorly educated people to enable them to function more effectively in military and civilian life."³

(3) In pointing out that there is a large pool of men and women in the United States whose abilities are not developed and are, therefore, being wasted from a human-resources point of view, the Council declared:

"Today, less than half of those capable of acquiring a college degree enter college. About two-fifths of those who start college—many with superior ability—do not graduate. For every high-school graduate who eventually earns a doctoral degree, there are 25 others who have the intellectual ability to achieve that degree but do not.

"Three groups can readily be identified in the reserve of individuals capable of pursuing advanced education: high-school graduates who do not enter college, those who start college but do not graduate, and those who graduate but do not pursue postgraduate training. There is an additional hidden reserve made up of capable individuals who achieve low scores on standard tests of intellectual ability primarily because of serious deficiencies in their early schooling. These individuals live, for the most part, in poor communities which spend little on education, and are found particularly among such racial and ethnic minorities as Negroes and Spanish-speaking Americans. The barriers which limit the educational and occupational opportunities of these groups have been substantially reduced in recent years. Many Negroes, however, are still handicapped by poor education in early life, and others are frequently prevented from using the skills they do acquire by discriminatory employment practices."⁴

(4) In order to assure an adequate supply of scientific and professional manpower, the council recommend an expansion in the opportunities for education. In this connection, it has said:

"In recent years, the United States has been spending less than 1 percent of its national income on higher education. We spend about 2 percent of our national income on elementary and high-school education. In contrast, we spend more than 4 percent on recreation. The Nation has the economic resources and the reserves of intellectually capable young men and women to increase its college-educated population and thereby to provide for an expansion of its scientific and professional manpower. We have the need and the means, but we must develop the understanding and the will to attack the problem.

"To encourage more able young men and women who do not now undertake advanced education and training to do so will require the accomplishment of at least the following four objectives:

"Increased opportunities for and marked improvement in the quality of elementary and secondary schooling so as to eliminate gross educational deficiencies where they now exist.

"The reduction of financial barriers which currently prevent able persons from attending college and pursuing postgraduate work.

"The determination of the constructive measures that must be taken to insure that a larger percentage of able college students graduate from college.

"The creation of a more favorable climate of opinion for intellectual work and the reward of intellectual achievement.

"Considerable progress toward these objectives has already been made in recent years. Discriminatory barriers have been reduced. Scholarship and fellowship programs and veterans' benefits have made it possible for many able young persons, who otherwise would have lacked the means, to attend college and graduate school. A constantly larger number of business corporations and some trade unions have made funds available for scholarships. The foundations, which have long played a key role in the development of scientific and professional manpower, support a large number of specialized training programs. In creating the National Science Foundation in 1950, Congress recognized the importance of providing governmental assistance for advanced education and training in the physical, biological, and medical sciences.

"To expand the opportunities for capable young persons to secure a higher education, the National Manpower Council recommends that:

³ *Ibid.*, pp. 16-17.

⁴ A Policy for Scientific and Professional Manpower, pp. 19-20.

"1. The public and its elected officials fulfill their responsibility to maintain good elementary and secondary schools by providing the financial and personnel resources necessary to remedy the present weaknesses in our educational system.

"2. The schools, professional societies, governmental agencies, and other interested groups act together to strengthen the information and counseling services for high school and college students to assist them in the sound selection of schools, courses of instruction, and careers.

"3. Scholarships and fellowship programs, supported by private and public funds, be maintained and expanded to help more young people of ability to acquire a higher education."⁵

(6) In connection with its contention that the country's secondary schools need to be strengthened, the council has recommended that:

"1. Local and State governments encourage men and women of ability to enter and remain in the teaching profession by establishing more desirable conditions of employment, including salaries commensurate with their training and responsibilities.

"2. Boards of education and school officials concentrate on achieving the key purposes of secondary education—to prepare the individual for citizenship, for a worthwhile life, and for work—by insuring that all students, excepting the small minority unable to profit from it, pursue a common program at least through the second year of high school which concentrates on teaching them to communicate effectively in writing and speech, to handle elementary mathematical operations, and to apply their knowledge to solving the problems they will encounter in life and work.

"3. Boards of education and school officials insure that students are permitted to specialize intensively in vocational subjects only after they have completed 2 years of high school, and that able and interested vocational students also are provided with the opportunity to qualify for college entrance.

"4. Local and State educational officials, in cooperation with special advisory committees comprising employer and labor representatives, critically reappraise existing vocational education programs in order to insure their effectiveness in the light of current changes in technology, employment standards, and on-the-training practices; the growth of junior and community colleges and technical institutes; and the training programs of the armed services.

"5. The Congress review existing Federal legislation providing grants-in-aid for vocational education purposes in order to ascertain whether the objectives, scale, and methods of allocation of funds are enabling the Federal Government to make the most effective contribution to the development of the Nation's resources of skilled manpower."⁶

(7) The council has stressed the critical importance of vocational guidance and has recommended that:

"1. State and local governments and boards of education recognize that the provision of essential educational and vocational guidance services is a major responsibility of secondary education by increasing substantially and rapidly the funds and staff available for guidance and counseling purposes.

"2. School officials use their guidance and counseling staff primarily for vocational guidance purposes and, when expanded resources of staff and funds permit, also for counseling students with personal adjustment problems.

"3. School officials make vocational guidance available no later than the ninth year and have it continue throughout the high-school course, and that they assign to the classroom teacher major responsibility for helping the student to make sound educational and occupational decisions.

"4. School officials take the lead in their communities to assure a vigorous cooperative effort, in which industry, business, labor, Government, the armed services, and civic groups participate, to provide occupational information and other types of assistance essential for effective vocational guidance."⁷

RELEVANT INFORMATION PREPARED BY THE COUNCIL'S STAFF

Each of the council's studies consists of two parts: Part 1 is the council's "Statement and Recommendations" (from which the preceding excerpts are taken); Part 2, "Facts and Issues," consists of the chapters prepared by the council's research staff on various aspects of the particular study. Much of the material in these staff chapters is relevant to the subcommittee's inquiry, but, since they do not represent findings for which the council takes responsi-

⁵ *Ibid.*, pp. 25-27.

⁶ A Policy for Skilled Manpower, pp. 24-25.

⁷ *Ibid.*, p. 27.

bility, pertinent excerpts from these chapters are not submitted as part of this statement.

INCREASING EDUCATIONAL AND TRAINING OPPORTUNITIES IN UNDERDEVELOPED RURAL AREAS IN THE UNITED STATES OF AMERICA

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Thousands of pages have been written to describe, and millions of American dollars have been spent, on the so-called underdeveloped areas of the world. I am in general agreement with the necessity of these expenditures, and the studies of methods of improving levels of living in poverty stricken areas should have importance beyond that of combating the spread of communism in distant regions, important as this objective is.¹ However, when in the wealthiest nation in the world after a period of unprecedented prosperity more than one-fourth of all farm families are reported as having low earnings—a net cash family income from all sources of under \$1,000 in 1950²—is it not time to turn our attention to areas closer home? The 1½ million low-income farm families, many of whom reside in the general and self-sufficing farming areas, the Cotton Belt, the southern range-livestock areas, the home of many Spanish-speaking people have high birth rates and provide far more than their share of the Nation's manpower in both times of peace and war. These low-income, poverty-ridden "cultural islands" represent underdeveloped areas within the most progressive agricultural economy in the world. The situation is summarized succinctly in the Report on Problems of Low-Income Farmers: "It may be stated as a broad premise that most of the large group of farmers on low-income farms have not shared much in the great advance of agricultural techniques. Many such farms are too small to fit the mechanized farming of the present day. Some of the soils are unproductive. Some of the farmers are old or incapacitated. On the other hand, the large numbers of able-bodied men and women in this group present a challenge to official and private agencies to point the way, if possible, to better incomes and living.

"There are nearly a thousand counties in the United States where more than half of the farmers are mainly dependent on the income from small, poorly paying farms. What they are up against, in innumerable cases, is lack of enough good land, lack of equipment, lack of credit facilities, and often lack of the management information and skill which might open wider opportunity to them. In other cases, part- or full-time off-farm employment may be their best opportunity. With better information, training, sometimes credit, sometimes job opportunities off the farm, they can achieve a reasonably good living. They can thereby contribute a larger part to the community and national welfare."³

Impossibility of solving the low-income area problem by monistic approaches.—At the joint annual meeting of the American Farm Economic Association and the Rural Sociological Society on the low-income farm problem, I was requested to summarize the various papers.⁴ All the experts on low-income agricultural families who spoke at this meeting stressed the importance and absolute necessity of a multiphasic approach and condemned the belief that one shot or monistic approaches would solve the low-income problem. Education alone would not solve it; neither would improved health facilities, alone; or more readily available capital, alone; or more non-farm-work opportunities, alone, or better extension or farm and home practices, alone. As indicated by the Report on Problems of Low-Income Farmers, most low-income farm families in the United States

¹ Charles P. Loomis et al., *Turrialba—Social Systems and the Introduction of Change*, Glencoe, Ill., Free Press, 1953.

² *Development of Agriculture's Human Resources: A Report on Problems of Low-Income Farmers*, Washington, U. S. Department of Agriculture, 1955.

³ *Ibid.*, p. 2.

⁴ Papers presented at session entitled "The Low-Income Farm Problem," M. E. John, chairman:

1. Characteristics of the Low-Income Farmer, Louis J. Ducoff, Agricultural Marketing Service, U. S. Department of Agriculture.

2. Economics of the Low-Income Farm Problem, Kenneth L. Bachman, Agricultural Research Service, U. S. Department of Agriculture.

3. Sociological Aspects of the Low-Income Farm Problem, Olaf F. Larson, Cornell University.

4. Part-Time Farming and the Low-Income Farm Problem, C. E. Bishop, North Carolina State College.

Discussants: H. R. Moore, Ohio State University; Charles P. Loomis, Michigan State University.

live in nine geographic areas. Some of these resemble "cultural islands" in that the values of the people do not resemble those of the rest of the United States sufficiently to motivate them to strive for the same goals. Of these areas the area with which I am best acquainted is that called northwestern New Mexico in the report. It is a dry mountainous country through which runs the Continental Divide. Here only one-third of the farms produce enough to be called commercial farms.⁵ Most of the farm people are poorly educated, and a large proportion farm small irrigated acreages for home use. The majority are Spanish speaking. More than 90 percent own their land. Health conditions are poor, and families are large. I should like to address myself to the problem of education and training for these people and to use a case study of one governmental effort to raise the level of living to document my argument that the solution of the problems of this area will require social science and that approaches cannot be monistic. The governmental effort which failed is the Taos County Cooperative Health Association of New Mexico.

The necessity of training professional personnel from the area to be assisted.—It is my contention that many of the mistakes frequently made by highly trained technicians in backward areas including the low-income areas of the United States, and especially those in Taos County, would have been avoided if the professional and scientific personnel carrying on the programs knew the nature of the societies and the cultures with which they were dealing. This will be adequately demonstrated with the analysis of the causes for failure of the Taos County Cooperative Health Association. If the professionals who are to carry the programs to the backward areas can be recruited from these areas their own backgrounds would assist them in communicating with and understanding their clients and associates. It is dubious that the Taos County Cooperative Health Association would have failed had there been available sufficient trained personnel from the area in which it operated. Although we do not know for sure that, if Spanish-speaking graduates from the high schools of the Southwest had been subsidized in medical training, they would return to practice among their own people after graduation, we have indications that they would. As table 1 indicates, physicians tend to return to the size of community from which they came before training. The table emphasizes the need of recruiting doctors from the smaller centers if health is to be improved through the greater availability of doctors for all rural areas including those with low income. Table 2, summarized by State, indicates how good health facilities and good health follows the dollar and are found in cities. But as the following case should demonstrate, doctors, nurses, dentists, and other representatives of the healing arts recruited from the areas in which they are to serve should be equipped to avoid many of the pitfalls of those recruited from other areas. It is our belief that the same holds for other fields such as agriculture, education, and governmental service. I present the case involving health because I know it best.

TABLE 1.—Number and percentage distribution of graduates of American medical colleges in private practice, by size of community of prior residence and by size of community of practice, 1935 and 1940 graduates combined

Size of community of prior residence	Size of community of practice								
	All places		Under 2,500	2,500 to 9,999	10,000 to 49,999	50,000 to 99,999	100,000 to 499,999	500,000 and over	
	Number	Per cent							
All places.....	15,382	-----	9.5	11.6	22.1	10.4	21.4	25.1	
Under 2,500.....	674	12.5	100	27.6	15.3	23.9	9.3	15.0	8.8
2,500 to 9,999.....	603	11.2	100	10.7	34.9	19.9	9.0	15.2	10.2
10,000 to 49,999.....	969	18.0	100	7.6	9.3	47.6	8.1	14.9	12.5
50,000 to 99,999.....	425	7.9	100	7.1	6.4	13.7	45.9	13.5	13.5
100,000 to 499,999.....	916	16.9	100	5.7	7.2	13.7	4.5	58.8	10.1
500,000 and over.....	1,443	6.8	100	5.3	5.7	12.8	6.3	9.7	60.2

¹ Excludes 358 graduates for whom size of community were unknown.

Source: The President's Commission on the Health Needs of the Nation, vol. 3, op. cit., p. 145.

⁵ "Commercial farms" are defined as those having sales of \$1,200 or more and in addition farms with sales of \$250 to \$1,199 with the operator working off farm less than 100 days and having farm sales exceeding income from other sources.

TABLE 2.—Health index as related to income and rurality, by States

States	Urbanity, 1950 (new definition)		Per capita income, 1950	Hospital beds per 1,000 ¹	Physicians per 100,000 ²	Percent of births in hospitals attended by physician		Infant mortality rate, 1949 ³	Maternal mortality, ratio ⁴	Active dentist per 100,000, 1949
	Percent	Rank				Whites	Nonwhites			
New Jersey.....	86.6	1	1,689	7.8	137	97.9	91.6	26.0	74	64
New York.....	85.5	2	1,864	10.9	209	98.3	96.4	26.1	73	88
Massachusetts.....	84.4	3	1,600	10.2	187	98.8	96.9	24.5	66	64
Rhode Island.....	84.3	4	1,561	9.6	132	98.7	97.9	24.0	81	56
California.....	80.7	5	1,751	8.2	165	98.4	96.4	26.8	71	66
Connecticut.....	77.6	6	1,766	10.0	166	99.4	98.0	23.1	70	66
Illinois.....	77.6	7	1,752	7.8	152	96.6	78.4	27.4	77	66
Michigan.....	70.7	8	1,583	7.3	112	96.9	88.9	28.9	68	47
Pennsylvania.....	70.5	9	1,523	8.1	139	92.8	90.8	29.2	74	57
Ohio.....	70.2	10	1,582	6.8	125	94.8	89.7	28.1	60	47
Maryland.....	69.0	11	1,547	9.2	158	91.6	64.2	30.5	72	37
Florida.....	65.5	12	1,210	6.8	119	92.1	38.9	33.8	192	41
Utah.....	65.3	13	1,271	5.4	127	98.1	92.8	25.3	26	54
Washington.....	63.2	14	1,642	7.6	123	99.0	97.7	27.1	61	61
Colorado.....	62.7	15	1,392	10.5	183	93.5	94.3	35.1	101	52
Texas.....	62.7	16	1,278	5.7	105	80.8	57.7	42.7	131	30
Delaware.....	62.6	17	1,909	9.4	141	95.7	63.9	30.4	61	36
Missouri.....	61.5	18	1,401	3.0	133	84.5	77.8	30.0	99	55
Indiana.....	59.9	19	1,451	6.2	113	93.1	67.0	29.1	67	43
Wisconsin.....	57.9	20	1,431	9.8	113	97.2	91.7	26.5	65	66
New Hampshire.....	57.5	21	1,282	8.6	143	98.4	95.0	27.9	75	44
Nevada.....	57.2	22	1,875	7.2	136	98.6	86.5	32.1	182	52
Arizona.....	55.5	23	1,240	7.8	124	92.5	83.2	51.0	158	34
Louisiana.....	54.8	24	1,045	7.6	115	91.7	63.3	37.2	136	35
Minnesota.....	54.5	25	1,332	8.5	144	97.5	93.1	25.6	60	70
Oregon.....	53.9	26	1,523	6.4	124	98.3	95.2	24.6	60	66
Kansas.....	52.1	27	1,338	7.2	116	95.7	79.5	25.9	58	46
Maine.....	51.7	28	1,161	7.3	112	91.2	88.6	32.5	96	39
Oklahoma.....	51.0	29	1,070	9.0	106	87.2	62.0	30.8	140	32
New Mexico.....	50.2	30	1,109	6.2	88	70.1	69.6	65.1	154	26
Wyoming.....	49.8	31	1,509	8.0	99	96.8	83.9	37.4	45	45
Iowa.....	47.7	32	1,417	9.1	115	96.1	95.9	25.7	58	55
Virginia.....	47.0	33	1,158	6.8	103	82.4	39.0	38.1	113	30
Nebraska.....	46.9	34	1,467	9.0	126	96.1	93.8	24.1	84	64
Georgia.....	45.3	35	969	6.6	95	88.1	31.9	33.3	202	25
Tennessee.....	44.1	36	862	6.6	100	76.8	47.3	40.2	147	29
Alabama.....	43.8	37	830	4.2	77	77.0	28.2	39.6	215	20
Montana.....	43.7	38	1,005	10.5	104	97.3	90.0	29.7	101	47
Idaho.....	42.9	39	1,287	6.4	88	97.8	94.4	27.0	83	58

Kentucky.....	36.8	40	911	6.3	92	63.0	51.7	41.2	135	29
South Carolina.....	36.7	41	831	5.8	76	84.3	18.8	39.0	193	19
Vermont.....	36.4	42	1,184	9.3	260	92.0	75.0	32.4	72	37
West Virginia.....	34.6	43	1,049	6.2	94	66.2	34.1	39.6	109	35
North Carolina.....	33.7	44	951	6.5	86	84.4	35.0	38.1	130	26
South Dakota.....	33.2	45	1,308	8.4	87	96.7	84.4	26.0	58	40
Arkansas.....	33.0	46	825	7.0	95	77.5	21.1	33.7	194	22
Mississippi.....	27.9	47	698	5.8	74	79.7	16.8	39.6	248	21
North Dakota.....	26.6	48	1,298	9.5	85	95.4	91.1	30.7	59	41

¹ Total existing hospital beds per 1,000 population, June 1952.

² Number of physicians (active and inactive) per 100,000 population, 1949.

³ Deaths under 1 year per 1,000 live births, 1949.

⁴ Ratio of observed to expected deaths for maternal mortality, 1949.

Source: The President's Commission on the Health Needs of the Nation, vol. 3, op. cit., 1951, selected tables.

In summary we may say that the training of professional personnel recruited from low-income areas in which they are not to serve is a waste of national resources. It is not different from training city boys to become county agricultural agents or to man our farms. The farm boy learns much that is useful to him as a county agent or farmer from his immediate environment. The Spanish-speaking boy from New Mexico knows much about his people which will make him a better doctor, teacher, county agent or other professional among his people. Of course, the implementation of the program I am proposing; namely, that every means be devised to recruit and to train professionals and others who are to staff the organizations and services for the low-income areas from the same areas will be seriously handicapped from the beginning by the low educational attainment of young people in the areas being considered. Thus in the 9 low-income areas discussed in the Report of Problems of Low-Income Farmers⁶ mentioned above, farmers had only 7 years of school completed and only 1 out of 10 is a high-school graduate. This is in contrast to other farmers in the Nation who average 8½ years of school and 1 out of every 4 is a high-school graduate. Table 3 indicates that the rural farm population of the Nation in general is handicapped. Thus in the 5 Southwestern States in 1950 there were 2,289,550 white persons of Spanish surname about half of whom live in places of over 10,000. For males and females of Spanish surname, regardless of residence, 25 years of age and over, the median school years completed in 1950 were as follows: Arizona 6.1 and 5.9, California 7.6 and 8.0, Colorado 6.4 and 6.5, New Mexico 6.1 and 6.1, and Texas 3.6 and 3.4.⁷ Wilson Little, in a study published in 1944 found that in the school year 1942-43 only 53 percent of the children of school age of Mexican descent in Texas were actually enrolled and attending school regularly.⁸

THE TAOS COUNTY COOPERATIVE HEALTH ASSOCIATION

The Taos County Cooperative Health Association,⁹ if it had been successful, would have had great significance for the 2½ to 3 million Spanish-speaking people in the 5 Southwestern States. The association was formally organized in 1942 and began to give service to 907 paid-up member families. It had the formal approval and active support of the Taos County Medical Society. And it was supported by the Taos County project, an experiment in adult education started in 1940 by the University of New Mexico and the Harwood Foundation with support from the Carnegie Corp. It also received financial support and other assistance from the Farm Security Administration. After the association was incorporated in 1942, the FSA made a grant of \$47,000. During the first year of operation the 1,145 families enrolled paid \$38.03 per family, 80 percent of which was covered by a subsidy from the FSA. Under the subsidy no family paid less than \$1 and none more than \$32, each family paying in relation to ability. Medical care was made available for less than \$8 per person of which the FSA bore all but 15 percent.

Need for health facilities.—At the time the association was formed, Taos County had great need for more adequate medical care. The infant mortality rate was as high as for any county in the Nation.¹⁰ In the period from 1937-39, 64 percent of the deaths reported were listed as "cause unknown," an indication that no physician handled the case at the time of death. In 1941 no death certificates had been issued for 62 percent of those who died, likewise indicating that no physician was present. In the 1937-39 period, 1,629 births occurred and of these 1,122 were delivered by midwives with little or no formal training, and 193 by other persons with doubtful training.¹¹ An investigation of human nutri-

⁶ *Ibid.*, p. 8.

⁷ Robert H. Talbert, *Spanish-Name People in the Southwest and West, Socio-Economic Characteristics of White Persons of Spanish Surname in Texas, Arizona, California, Colorado, and New Mexico*, Fort Worth, Tex., Leo Potisman Foundation, Texas Christian University, 1955.

⁸ Wilson Little, *Spanish-Speaking Children in Texas*, Austin: the University of Texas Press, 1944, pp. 64-65.

⁹ Charles P. Loomis, *Putting a Cooperative Health Association Over to Spanish Speaking Villagers, in Studies of Rural Social Organization*, East Lansing: State College Book Store, 1945, ch. 18; and the Taos County Project of New Mexico—An Experiment in Local Cooperation Among Bureaus, Private Agencies, and Rural People, in *Studies in Applied and Theoretical Social Science*, East Lansing: Michigan State College Press, 1950, ch. 7.

¹⁰ An infant mortality rate of 108 per 1,000 live births, traceable mainly to diarrhea and enteritis, was reported.

¹¹ Lyle Saunders, *Cultural Difference and Medical Care*, New York: Russell Sage Foundation, 1954, p. 175.

tion found diets so poor in one of the villages that the activities of the children walking to school and playing at recess created such a tissue deficiency of oxygen that the remainder of the day was required to make it up. The same investigator found that whole villages were sometimes so infested with intestinal parasites that school lunches had no effect on physical performance until a village-wide parasite elimination campaign was conducted.¹²

Great ingenuity was used to involve the rural people in the program of the association. This included the utilization of local leaders, an educational program, and, as previously stated, a heavy subsidy. The University of New Mexico, through its extension division, the Taos project, and the various cooperating agencies, especially the Farm Security Administration, applied unbelievable energy and ingenuity in order to make the association a success. "Here, it would seem, was an enterprise that could not fail. Here was a serious medical need that an organization had been set up to meet. Here was good medical care made available at a cost (including the Farm Security Administration's subsidy) of less than \$8 per year per person. And yet, in spite of tremendous efforts, membership in the association steadily declined until, in 1948, it ceased to function."¹³ Why had an operation which the Communists accuse us of not attempting to make for underdeveloped nations failed in our own country? We cannot specify all the reasons. We shall, however, attempt to provide some reasons in the following analysis.

STRATEGY OF CHANGE INVOLVING TWO CONTRASTING SOCIAL SYSTEMS

As Saunders writes, "one major cause was that the association attempted to provide Anglo medical care to a people who were not yet culturally ready to receive or support it."¹⁴ In 1944, it had been noted that although 95 percent of the people of Taos County spoke Spanish, all of the physicians and most of the professionals and business people in the county were Anglos. United States Department of Agriculture investigators,¹⁵ after the association had operated a year, found that 80 percent of the families knew little of the purpose for which it was organized, 40 percent did not know the manager, only 40 percent could name 1 or more of the members, and 22 percent did not know it had a board of directors. No doubt, as Saunders implies, this lack of information about the association is in part responsible for its failure. But even this is related to the difficulties involved in an attempt to link the value systems of the families and communities of the rural Spanish-speaking people on one hand, and the social systems which carry Anglo medicine, one the other. One year after the establishment of the association, 15 percent of a sample of member families interviewed had paid for a midwife's services and approximately 6 percent had used a native medicine man, even though hospitalization and delivery by a physician were included in the association membership. These facts point to the necessity for comparative analysis of the Spanish-American social system and the Anglo system.¹⁶ We shall now attempt to explain some aspects of the failure of the change system, the Taos project, which attempted to attain social-cultural linkage with the target system, the Taos County Cooperative Health Association.

The medical social system, incorporated in the association, was organized around specific roles, namely, doctors, nurses, and auxiliary personnel. It was an Anglo system which had worked effectively in Anglo communities, but which had not been adapted to Spanish-American culture. Some of the cultural differences which are pertinent to the analysis of the failure of the Taos association will be indicated here. These are essentially differences in the ends and norms of social systems and individuals.

Relative importance of the family.—The nuclear and extended families are much more important in the motivation and value orientation of individuals in the Spanish-American than in the Anglo culture. Physicians and hospital administrators who have had experience with Spanish-Americans as patients have commented upon the great difficulty of retaining them in the patient role, especially when family crises or celebrations are involved. Thus, to quote Saunders: "One Spanish-American woman, for example, has a record of having left a tuber-

¹² Michael Pijoan, *Food Availability and Social Function*, New Mexico Quarterly Review, vol. XII, No. 4, November 1942.

¹³ Saunders, *op. cit.*, p. 177.

¹⁴ *Ibid.*, p. 177.

¹⁵ T. Wilson Longmore and Theodore L. Vaughan, *Taos County Cooperative Health Association*, Little Rock: Bureau of Agricultural Economics, U. S. Department of Agriculture, September 1944, mimeographed.

culosis ward seven times against medical advice. Each time a minor family crisis was involved." * * * "Another instance is that of a Spanish-American woman who was injured in an automobile accident and was confined to a hospital with two broken bones. After a few days she and her husband decided that she should go home. Physicians argued that the woman needed to be in traction if the bones were to heal properly and that she also required specialized care that could not be given in the home."¹⁶ This was to no avail. Rural Spanish-Americans desire home treatment with family members present even when not as effective as hospital treatment. Probably because of the strength of the family, many hospitals in Latin America are equipped with beds for relatives of patients.

Dependence versus independence.—In an analysis of the patient-doctor relationship. Persons described functionally important aspects of the physician's roles which prevent him from slipping out of his doctor role. Thus, one of the functions of the relationships, namely, "universalism, functional specificity, and affective neutrality, is to enable the physician to 'penetrate' sufficiently into the private affairs, or the 'particular nexus' of his patients to perform his function,"¹⁷ and at the same time avoid slipping out of his role as physician. Such an institutionalization requires that the physician not permit the patient to become dependent upon him in any way other than within the limits of his status-role. Anglos in general, and Anglo doctors in particular, put much greater stress upon independence in interrelationships than do Spanish-Americans. Numerous studies¹⁸ have emphasized the importance of dependence rather than independence in nonfamily as well as family social systems in the Spanish-American culture. In relying on the institutional protection of their status-roles and as a consequence avoiding dependence, Anglo doctors may fail to give the degree of satisfaction provided by local medicine men, who do not value independence so highly. The apparent need for personal dependence on the part of persons in the Spanish-American culture is in sharp conflict with the general Anglo emphasis on ability to "stand on one's own feet" and to be "beholden to no one."

Personalism and particularism.—In the Spanish-American culture particularism, or personal relations as ends in and of themselves, has greater importance than in the Anglo culture. Whether or not another person is simpatico, a word for which there is no exact English equivalent but indicating the quality of 'increasing others' self-esteem on personal grounds in interaction, is of great importance to Spanish-Americans. Although doctors may emphasize such behavior as "the bedside manner," the emphasis on professional competency is much greater. The local medicine men and curanderos who depend extensively upon personal appeal and who do not need to guard against the patient becoming dependent upon them, have a distinct advantage over Anglo physicians because of the great emphasis in the Spanish-American culture on personal and informal relationships.

Dislike for bureaucracy.—A number of scholars have incorrectly considered the Spanish-American to be individualistic and have stressed his preference for informality.¹⁹ These terms may correctly describe the Spanish-American if applied to specific large-scale, bureaucratic, or Gesellschaft-like reference groups. However, the great sacrifices Spanish-Americans make for family and friends and the effective cooperation carried on through these groups belie any individualism so far as these reference systems are concerned. Thus, for a father or other family member to act in a manner unbecoming to his status-role is condemned, perhaps more in Spanish-American than in Anglo culture. Actually what has been incorrectly called individualism and dislike for formal groups is in reality lack of intimate acquaintance with and definite dislike for bureaucracy or large scale Gesellschaft organization. In the field of health this is expressed in the resistance to hospitalization.

Acceptance and resignation versus work and efficiency.—"Let us up and doing, with a heart for any fate, still achieving still pursuing * * *" is a directive to Anglos and quite out of accord with Spanish-American culture. As Saunders emphasizes, the Anglo lives in the future; the Spanish-American in the present.

¹⁶ Saunders, op. cit., pp. 210-211.

¹⁷ Parsons, op. cit., p. 459.

¹⁸ Loomis, *Studies in Rural Social Organization*, op. cit., p. 385. Here the peon-patron relationship is described. This is related to the paternalism subconfiguration of the familia configuration as developed by Florence Kluckhohn in Los Atarquesnos, *A Study of Patterns and Configurations in a New Mexico Village*, Radcliffe College, Ph. D. Dissertation, Cambridge, Mass., 1941. See especially Saunders, op. cit., pp. 133 ff.

¹⁹ Saunders, op. cit., p. 136, and Parsons, op. cit., p. 199.

"The Spanish-speaking ideal is to be rather than to do."²⁰ This leads to behavior which the Anglo may explain as laziness or lack of gumption. The rural Spanish-Americans generally accept sickness as inevitable. It is not something that effort may remedy.

Differences in orientation to time.—Most American students of Spanish-American culture have observed a basic distaste for discipline in the timing of events. In Latin America *hora Inglesa* means time by the clock as contrasted to time in the everyday sense. Florence Kluckhohn²¹ has described the Spanish-American orientation to time as the *mañana* configuration. The rural Spanish-American finds the Anglo medical time schedules and requirements for punctual appointments disagreeable and frustrating. Thus, Saunders writes that "in dealing with Spanish-speaking patients it may prove wise not to expect rigid adherence to time schedules. * * * Long-in-the-future appointments should be avoided. * * *"²²

Fear and anxiety.—A vague fear of the unknown or of unpredictable forces on the part of Spanish-Americans is another cultural configuration. Young women, for example, are supposed to be afraid of the dark. This general feature of Spanish-American culture is mentioned because it accentuates the feelings of insecurity that most people have in the unfamiliar surroundings of the clinic or hospital. Saunders²³ reports the case of a Spanish-American woman who so feared the hospital, and particularly the delivery table, that she delivered the child herself in a corner of the room rather than ring for attendants.

PATIENT-FOLK PRACTITIONER COMPARED WITH THE PATIENT-PHYSICIAN RELATIONSHIP

For the rural Spanish-American, the local medicine man (*curandera*) and local untrained midwife (*partera*) compete with the Anglo physician. All three are specialists, although the Anglo physician is more specialized than his competitors, the *curanderas* and *parteras*. For the Spanish-Americans certain major differences exist which are more important than the differences in specialized training. The local folk practitioners do not charge as much as the Anglo doctor. They ply their skills and knowledge in the homes of sick persons and do not require special facilities such as hospitals. Their approach is more personal or particularistic. They may be related through kinship to the family, and they speak the same mother tongue as the patient. These are among the reasons why the Taos County Cooperative Health Association failed. They are also reasons why modern medical science is not in as great demand in many rural cultures as in most urban cultures.

Again and in summary, we believe that if the doctors who served in Taos County had been recruited from the Spanish-American families of the Southwest, many of the difficulties could have been avoided. Also, we contend that many enterprises in low-income areas fail because the technicians are not familiar enough with the society and culture within which they work.

EXPLANATION OF FAILURE IN TERMS OF THE ELEMENTS AND PROCESSES OF PERTINENT SOCIAL SYSTEMS

We may briefly review the discussion to this point specifically mentioning the relevant elements and processes involving Anglo medical practice and the Spanish-American people.

*Ends and norms.*²⁴—For the Anglo medical system the chief end was that of improving the health of the people. The normative orientation of the association required that improved health be accomplished through the application of science in accordance with universalistic standards and in such a manner as to retain the independence of the practitioner. Affectual involvement was to be avoided. The practitioner held himself responsible for only specific activities of the patient,

²⁰ Saunders, op. cit., p. 126. See also Arthur L. Campa; *Mañana is Today*, New Mexico Quarterly, vol. 5, 1939, and Loomis, *Studies of Rural Social Organization*, op. cit., pp. 385 ff.

²¹ Kluckhohn, op. cit.

²² Saunders, op. cit., p. 220.

²³ Saunders, op. cit., p. 20.

²⁴ We define ends or objectives as those changes which members of a social system expect to accomplish through the operation of the system. In some instances, and this is particularly true of the church group, social systems have as ends or objectives the retaining of the status quo.

Norms are defined as those rules which, through the prescription of what is socially acceptable as well as unacceptable, govern the application of means or facilities in the attainment of ends or objectives. In everyday terminology they are the "rules of the game."

namely, those related to his health. Thus, the practitioner maintained a non-personal, nonaffectual, and specific as opposed to diffuse orientation.

The Spanish-American people desired a highly personalized service in which the practitioner assumed responsibility for economic and general well-being as well as health and in which care meant affection. The Anglo physician when compared with the medicine men and midwives in these respects were found less satisfying.

*Status-roles.*²⁵—The doctor, nurse, and other roles in the social system which brought medical practice to the Latin American villager fit less readily into the status-role prototypes of the family, the chief social system of the villager, than was the case of the medicine men and midwives. Not only did the latter not require the impersonal, anxiety-producing hospital, but also they could often assume the status-roles of fathers, mothers, aunts, uncles, etc.

*Power.*²⁶—The power implied in "doctor's orders" for the Anglos simply did not apply for the Spanish-Americans. Many cases of complete disregard for the orders and prescriptions of the doctors and nurses, even when this disregard led to great danger and even pain, are on record. In the Spanish-American society the priest exercises far more power than the medical doctor; in Anglo society the reverse is true. Social rank in this instance is closely related to power. Among the Latin-Americans in New Mexico the doctor's social rank depended less upon his technical competence than upon other factors, including income and local influence.

*Sanctions.*²⁷—The local medicine men, because of their reputation for control over the natural and supernatural, could apply at least imaginary positive and negative sanctions which were not available to the medical practitioner. The more adequate facilities available to the latter did not overcome the advantages which the belief system gave to the nonmedical practitioner.

*Territoriality.*²⁸—The fact that the medical doctor's service was restricted to the hospitals and the clinics which were often long distances from the people must be considered important, especially for women and children who are customarily closely confined to the home and village. The hospitals which did not accommodate family members of the sick patient were anxiety-provoking because they offered little to which the Spanish-Americans were accustomed. Spanish-Americans might be expected to visit a priest whose residence was as distant as that of the doctor, but his powers are not thought to be space-bound as in the case of the doctor.

FAILURE TO ESTABLISH SOCIAL-CULTURAL LINKAGE²⁹

When I studied the Taos County Cooperative Health Association in 1942 there were three clinics in the towns of Taos, Questa, and Penasco, each staffed by a full-time registered nurse and visited on a regular schedule by physicians and dentists. The waiting rooms of these clinics were usually full of Spanish-American people off the farms and ranches with ailments ranging from broken bones to minor illnesses and injuries. At this time social-cultural linkage seemed to be in process. When I returned in 1949 after the association had failed, the doors and windows of the clinics in Questa and Penasco were boarded up and the expensive equipment was idle. The Taos clinic, now a private doctor's office, was empty. There were few patients in any of the private doctors' offices. The people who filled the clinics had returned to the local curanderos and to resigned suffering. Had social-cultural linkage been achieved, the clinics would be filled today.

*Communication.*³⁰—The fact that few of the health practitioners spoke Spanish, of course, was an important factor in the failure of the associations. Not to be overlooked when two cultures merge are basic differences in value orientation which lead to misunderstanding, perhaps more important than language bar-

²⁵ Briefly stated, the status-role prescribes that which is expected of a member of a social system in a given social situation.

²⁶ We define power simply and briefly as control or potential control over others. It is composed of authority, of the legitimized right to influence others, and nonauthoritative influences of many kinds.

²⁷ Sanctions are those mechanisms which provide members with rewards for conforming with the ends and norms of the system and which impose penalties for failure to do so.

²⁸ By territoriality we mean the locus and spatial arrangements and requirements of a social system.

²⁹ Social-cultural linkage is the process whereby the elements of at least two systems come to be articulated so that in some ways they function as a unit.

³⁰ Communication is the process by which information, decisions, and directives pass through a social system, and the ways which knowledge, opinions, and attitudes are formed and modified.

riers. For instance, one of the doctors who helped support the association before it was organized, while under the influence of liquor in one of the community saloons, shouted something to the effect that the trouble with Taos County was that there were too many "dirty Greasers." This was frequently mentioned by local people when the association was discussed.

*Decision making.*³¹—The association was established with a board of seven directors elected at the annual membership meetings of the association. The treasurer-manager and the staff of the association was employed by the board of directors. In the Taos Association the participation of Spanish-Americans in the decision making of their association was feeble. With their dislike for formal meetings and with their lack of experience in large-scale organizations, the Spanish-Americans lost interest in attending after the start. This meant that the employed staff made most of the decisions. In view of the tendency on the part of Spanish-Americans to stress dependency and personal relationships, such a development was to be expected.

*Boundary maintenance.*³²—The two systems, the Anglo staff and the Spanish-speaking members of the association continued to hold to their own value orientations. These basic differences in the value orientations of the Spanish-Americans and the Anglos in large measure explain the failure of the association. Before an association such as this can succeed, acculturation of the Spanish-Americans to Anglo ways must proceed further than it had in 1949, or the Anglo medical system must adjust itself to the value orientation of the Spanish-Americans. It is the theme of this paper that both of these processes can be speeded up greatly by recruiting the personnel of the healing arts from the same cultural group in which they are to serve.

TABLE 3.—Years of school completed by persons 25 years old and over, urban and rural-farm residence, United States, 1950¹

Years of school completed	Percentage completing specified grades		
	United States total	Urban	Rural-farm
Total persons, 25 years old and over.....	100.0	100.0	100.0
None.....	2.5	2.3	3.1
Elementary school:			
1 to 4 years.....	8.3	6.8	13.4
5 and 6 years.....	9.1	8.0	12.8
7 years.....	6.8	6.0	9.7
8 years.....	20.2	18.7	25.7
High school:			
1 to 3 years.....	17.0	17.6	14.1
4 years.....	20.2	22.6	13.0
College:			
1 to 3 years.....	7.2	8.0	4.4
4 years or more.....	6.0	7.2	2.2
Not reported.....	2.7	2.7	1.6

¹ Source: U. S. Census of Population: 1950, General Characteristics, United States Summary, table 44.

ADULT EDUCATION AND LOW-INCOME FAMILIES

Robert A. Luke, assistant director, division of adult education service, National Education Association

Does low income lead to poor education or does poor education lead to low income? Adult educators do not have a full answer to this question but the evidence they are able to offer suggests that both statements may be correct.

Poor education certainly seems to lead to low productivity and low income for most people. Income figures in 1949¹ have been compared against educational background. The results show that all men over 25 years had an average

³¹ Decision making is the process whereby alternative courses of action are reduced.

³² Boundary maintenance is the process whereby the system retains its identity and interaction pattern.

¹ Bureau of the Census, 1950, vol. IV, pt. 5, ch. B.

income of \$2,669. Those who had no schooling were earning \$1,108. The high-school graduates were earning \$3,255. Those who went to college but failed to complete were earning \$3,522. College graduates averaged \$4,407.

While college certainly pays—who pays for college? Does low income lead to poor education? Here the answer cannot be given so positively. While few parents of Harvard students may be millionaires, I suppose there are even fewer of them on relief. While some children drop out of high school to be placed in exclusive and expensive finishing schools, high-school teachers and guidance officers would probably agree that the majority drop out in order to take jobs on farms, in gas stations, and as waitresses.

Many adult educators of my acquaintance believe that low family income probably leads to poor education for most young persons. They feel convinced that poor and incompleting education leads to low productivity and low income. If completion of high school through 12th grade is to be the test, the figures gathered by the staff of the Subcommittee on Low-Income Families show that 65 million Americans never completed high school while 2 million more never went to school at all. If completion of eighth grade is to be considered a basic education, there are still 42 million who fail to pass this modest educational requirement for modern citizenship.

Illiterates represent 2.5 percent of the population according to the Bureau of the Census, yet the Army rejects 19 percent of all recruits for failure to pass the Army literacy test. Are these illiterates from poor families? They are certainly in many cases from economically underdeveloped States. South Carolina recruits were tested on literacy grounds and 58 percent were rejected. Other Southern States showed almost equally poor records.²

If adult educators are to be called in to provide compensatory education to make up for years lost from elementary and high school, the scope of the problem facing them must be understood. Furthermore some steps should be taken to prevent the problem from growing. About 35 percent of young persons still fail to finish high school. Another 26,000 youngsters fail to go to school at all.

The costs of undereducation of adults

The costs of undereducation of adults are felt by the individual in terms of personal frustrations and bewilderments and are projected upon the whole community. All kinds of remedial welfare services are called upon to assist the undereducated. He must be aided in times of economic recession where he is the first to lose his employment. His low earning capacity makes it necessary for the community to bear some of the costs of maintaining him and his family during periods of severe illness. According to the staff report of the subcommittee, in the rural farm areas where years of schooling are fewest, participation in hospitalization insurance programs is at a minimum and hospital bad debts are higher than elsewhere in the Nation. Certainly, if a well-informed citizenry is a prerequisite of a functioning democracy, that part of our population that is uneducated is a continuing threat to our way of life.

One cost of undereducation to the Nation is directly exposed in the rejection rates for illiteracy by the armed services. During the years 1950-51 over 19 percent of all recruits were rejected from military service on the grounds of illiteracy. The service which these rejectees cannot perform has to be done by others, and while the others are performing the military duties the illiterates are producing little on the industrial front.

If the American way of life is to continue to attract mankind as a way of living in freedom while enjoying the rewards of a complex industry, then it must remain ahead in production, the arts of distribution, and in political and cultural advancement. This will call for adequate industrial and social research; informed political discussion; and for an educated, versatile, productive citizenry. Einsteins and Eisenhowers alone will not be enough. Millions of John Does are also needed who are capable of forgetting yesterday's skills and rapidly learning the ones which tomorrow will demand.

While the costs to society of the uneducated adult are of immediate economic and political concern, the costs to individual personality are of equal concern. First to be fired and last to be hired, the undereducated adult must contend daily with problems of which educated people are unaware. The illiterate and semieducated person has little chance to solve his problems by self-help and usually, at best, the chances are very great that he faces an old age of dependency

² Figures on Army rejection of illiterates from Literacy Education, published by the Department of Health, Education, and Welfare, June 1953.

unenlightened by memories of past achievement or present intellectual and spiritual satisfaction or insight.

Meeting the needs of the undereducated adult

The task of meeting the needs of the undereducated falls squarely into the hands of the adult educator. It is the adult educator operating in or from the public school, and from other public and private agencies, who must come to the help of the educationally submerged.

Public-school adult education is a specialized branch of American education which has its own professional organization, training programs, and teaching techniques. Problems of the organization of public-school adult education have been faced and the patterns of planning the development of adult schooling in both urban and rural areas are reasonably well known. Adult-education programs of the public schools are not limited to low-income families but do represent the most economically feasible educational service available to most persons whose financial resources are limited.

In recent years there has been an extensive survey of adult education, and reports on urban and rural achievement up to 1951 are available. A brief survey of the present condition and achievements of adult education may help to see the extent to which the low-income groups are already being served and the changes required to make that service more readily available, more comprehensive, and more generally utilized.

Extent and character of adult education for lower income groups

About 3,500,000 adults attend public-school adult-education classes in urban areas. Approximately another 1,100,000 take part in adult-education activities of schools in rural farm areas. Characteristics of adult-education activities in urban and rural areas have been studied in detail³ and it is significant that there is a concentration of enrollment in vocational education courses where some Federal aid can be secured by local school districts. Although the reduction of illiteracy is a great need, no similar Federal aid is available and only 1 person in 50 enrolled in adult education is an illiterate.

In the cities about 17 percent of adult education consists of vocational classes. Another 14 percent of enrollees are engaged in academic education, i. e. completing the high-school education which was missed in earlier years. Another 9 percent are engaged in elementary studies or Americanization courses. Together these 3 groups of enrollees account for 40 percent of all persons using the urban public-school education service. If we add to them the large proportion of rural enrollees who are following practical courses in agriculture or home economics, a figure of 50 percent of all adult-education students could be assumed to be either trying to catch up on education missed during a period of economic difficulty or else trying to equip themselves to increase their earning power. In other words, a case can be made by adult educators that they are already expending a half of their energies on tackling the problems caused by the existence of the lower-income groups in our prosperous society.

Availability of adult education

The above observations on the present level and type of adult-education service available through the public schools give some indication of the extent to which the low-income person now has assistance from the adult educator. Unfortunately this service is not open to all across the Nation. The NEA study showed that in 1951 over one-third of the cities of America had no public school adult-education service. More than half of the small (2,500 to 5,000 population) cities had no program. There is reason to believe that a survey conducted today would produce an even less happy picture as the falling-off of Federal aid to veterans' education has caused the closeout of programs of adult education in some communities.

If adult education is to play its part in assisting the low-income group both to better themselves economically and to fulfill themselves as people the service of adult education must first be made available to all. This can be only done if funds beyond those from local-school districts become available.

About 26 percent of adult schools depend mainly upon local tax and school-district funds. In 28 percent of adult-school systems State aid has been obtained

³Two studies provide the basic background information used in this statement. They are: *A Study of the Urban Public School Adult Education Programs*, NEA, Washington, D. C., September 1952, and *Rural Social Systems and Adult Education*, published at East Lansing, Mich., by Michigan State College.

and a much fuller and more varied program exists. In these cities the State makes available funds for general education, and courses in remedial special education, civics, and public affairs, and parent- and family-life education are added to the curriculum. At the same time, where State aid to general education is enjoyed, there is also an advance in the amount of vocational education provided.

There are 10 States where aid from State funds is available to general-adult education. In the communities of these 10 States the expenditure for adult education equals an annual 91 cents per person. Of this total 35 cents per person comes from State funds. The effect of this spending of 35 cents per person by the State government has been reflected in remarkable changes in the scope and quality of adult education. Activity has been increased an average 200 percent and participation of the adult community has increased threefold.

In some States the result of granting State aid has been to cause an even more remarkable increase in activity. In New York State the granting of 35 cents a year in State aid to general education caused a rise in activity from 1945 to 1953 of over 500 percent, and an increase in enrollment of over 1,500 percent.

Financing for the task ahead

Professional adult educators are proud of the way the expansion of the adult-education service has been achieved. The teachers have been found or trained, programs to meet local needs have been established, and the efforts of voluntary organizations have been assisted and coordinated. However, at the present time half of the persons using adult-education schools are middle-income persons. If the needs of all of the low-income group for general and vocational education are to be met another massive expansion of adult education is required.

If the pressing educational needs of adults are to be met the status of the adult school may have to be radically changed. If it is to attract all, or almost all, of those needing special educational help new problems will have to be faced. As no one is likely to suggest compulsory adult school-attendance laws, other methods will have to be found to get these people back into the adult-education workshop of the public schools. If these problems are to be faced, full-time directors of adult education will be required. Equally important is selection and training of group leaders and teachers of adults.

If the educational needs of all adults are to be met there must be an expansion of general as well as vocational education which may well bring contact with the adult school to as many as 20 million adults annually. Such an expansion cannot be financed out of local taxes, nor is it likely to be financed by local and State taxes together.

The cost of public-school adult education was \$79 million in 1953.⁴ This amounted to 76 cents for every person of 18 years or more in the population, and was equal to only 1.3 percent of public-school expenditures. About \$22 million came from Federal funds through the Veterans' Administration and another \$6 million of Federal money came from aid for vocational education. These costs were for adult education in 6,000 school districts.

Another 11,000 school districts are without an adult-education program of any kind.

Where Federal aid has already been made available to education there has been great activity in the economically underdeveloped States. In South Carolina vocational education, federally financed in part, involves over 4.7 percent⁵ of the population. This is the highest participation rate of any State in the Nation. On the other hand adult general education (other than vocational education) is practically nonexistent in South Carolina. The experience of State-aid States indicates that the demand for general adult education is already there and can be met once funds are available. Federal aid for vocational education itself has declined over recent years after reaching a peak in 1951. In 1954 Federal aid to vocational education stood at \$25 million with the States providing \$54 million and the local communities \$71 million. At the present time only the wealthier States can attempt to provide a service of adult general education at course fees which can be paid by persons of average income.

In a society as migrant as modern America the desirability of maintaining local responsibility for financing general adult education is open to serious

⁴ The most complete study of the financing of adult education is entitled "Financing Adult Education," published by the Adult Education Association in 1954. Copies available through the NEA.

⁵ Information from the U. S. Office of Education.

question. If mobility of labor is a requisite of our society, then mobility of educational funds to train the labor force would seem to be equally desirable.

Adult educators are aware that the whole problem of meeting the costs of education in a more equitable manner than they are presently met has been under close study in the last 2 years. It is certainly not a part of our task to instruct legislators on the means by which the necessary funds are to be found for educating those adults whose contribution is presently delimited because of their education. What we can do is suggest that we are able to produce in a reasonably short period of time an accurate projection of what it will cost this Nation to round out its educational system by putting that emphasis upon the fourth level in education which is called for by the exigencies of the times. If the money can be found we suggest that society will be soon repaid in the increased social and economic adaptability of that group of citizens who, for various reasons, never completed or even properly started upon the basic education required of a modern citizen.

Those who are presently engaged in the difficult and exciting task of adult education are by daily practice thrifty men with a budget dollar. They have given good value for every dollar in the past and hope to do so in the future. Adult educators look forward to the task ahead and are ready to welcome and assist the new teachers and leaders who will be needed to develop the adult-education program required.

THE CATHOLIC COMMITTEE OF THE SOUTH,
Rock Hill, S. C., November 21, 1955.

HON. JOHN SPARKMAN,
*Chairman, Subcommittee on Low-Income Families,
Senate Office Building, Washington, D. C.*

DEAR SIR: Quite frankly I am very much disappointed that it was not possible for me to get the brief finished in time which I hoped to present to the committee by the 15th so that we might make some contribution to the investigation which is now being conducted by your committee on low-income families.

I want, with this letter, to apologize for not being on time and tell you that I hope that the work of the committee will be most successful.

We have been asked to offer some views on the problems and issues to be raised on the question of increasing educational and training opportunities of members of the low-income population.

We are, of course, interested in that particular subject but there is something that is related to this whole business of low-income farm families, particularly in the southeastern part of our country, which I think deserves consideration and I do not find any particular reference to it. It is simply this. Educational opportunities can be afforded to low-income families but I doubt if they are going to be effective unless something is done to give the tenant farmer and the sharecropper a feeling of security.

During the past 3 years, we have been working for the development of a resettlement project by which we plan to resettle Italian families on farmland here in York County, S. C. In the course of this planning we purchased 2,000 acres of land, and with that 2,000 acres of land, we also acquired 6 tenants. While up until this time our interest in the problem may have been somewhat academic, I can assure you at the present moment it is not. And I think that I can safely say, by reason of my own experience and also the experience of many others who have been deeply interested in this problem, that one of the big difficulties that faces the Nation with low-income families in the southeastern part of our country is the fact that tenant farmer and sharecropper is never really sure that he is going to be where he is from 1 year to another. This lack of security makes it most difficult for him to be deeply interested in the care of his home and the proper development of his farmland.

I think that for a long period of time there has been a growing need in many of our States for legislation which would make it mandatory that written leases be given to farmers. I realize full well that this would not be the perfect solution. In some cases, perhaps the individual tenant may not be one who the owner would feel that he could competently give him a written lease for any period of time. But I think that in view of the fact that our American tradition is based upon a feeling of ownership and that security can be arrived at if leases are given to people so that they know for sure they will be on the land for a period of 5 or 6 years, then immediately their whole mental attitude toward the care of their farm and the development of its assets begins to take a change.

I realize that I am too late to present this evidence but I thought that perhaps we should tell you it. There is much more that could be added to this presentation but in view of the fact that we have been late, it is not fair for me to overburden you. I do hope, however, that somewhere consideration will be given to this problem in the Southeast. I think that eventually it would make a big difference in the agricultural areas in our Southern States.

Sincerely yours in Christ and St. Phillip,

VERY REV. MAURICE V. SHEAN, C. O.

INCREASING EDUCATIONAL AND TRAINING OPPORTUNITIES OF MEMBERS OF THE LOW-INCOME POPULATION

Elizabeth Sutton, supervisor, Pilot Project on the Education of Migratory Children, Northampton County, Va., and Palm Beach County, Fla.

In compliance with the request of Hon. John Sparkman, chairman of the Subcommittee on Low-Income Families, I am happy to make the following statement on the above topic focusing on the problem of how to increase educational opportunities for children of migrant workers.

BRIEF HISTORY OF THIS PROJECT

During 1952-53 a field research study on the educational needs and problems was conducted in Northampton County, Va., and Palm Beach County, Fla., and in two midwestern counties under the joint sponsorship of the National Council on Agricultural Life and Labor and the State and county school systems involved. This field study was directed by the Reverend Shirley E. Greene, then with the Council for Social Action of the Congregational Christian Churches. Its results and findings have been published in a book entitled "The Education of Migratory Children" (Washington, D. C.: Department of Rural Education, National Education Association of the United States, 1954).

Growing out of the interest engendered by this research project, and the concern felt by the boards of education and school administrators in Palm Beach and Northampton Counties, the fall of 1954 witnessed the inauguration of the present pilot project. This project involves the employment jointly by the two county school systems, with the financial assistance of the NCALL migrant research fund, of the writer of this report as a supervisory specialist in migrant education. The supervisor divides her time between the two counties on a timetable corresponding to the migratory movement. The time is spent thus: August, Palm Beach County, Fla.; September and October, Northampton County, Va.; November through April, Palm Beach County; May and June, Northampton County.

The job has been defined, even though flexibly because of its experimental nature, to include the following:

1. Develop an acquaintance with going experiments in the education of migrant children.
2. Work on enrollment and attendance problems.
3. Experiment with and work on problems of curriculum adaptation.
4. Develop techniques for record transfers from school to school.
5. Interpret to the general public the problems and possibilities in migrant education.

FINDINGS

The following definition is accepted for a migrant child: A child whose family, within the past 12 months, has moved at least once across a county or State line for the purpose of seeking or engaging in agricultural labor. Northampton County, Va., represents a typical county while migratory children are "on the trek" and Palm Beach County, Fla., represents a typical "home-base county."

Problems

On the basis of my experiences since undertaking this pilot study and becoming more familiar with the educational problems relating to migrant children throughout the Eastern States, I recognize these significant factors in the life pattern of the migrant child:

1. His life is unrelated to community living in the usual sense.
2. He must make repeated adjustments to new school situations with resulting frustrations because of the inadequacies of his background.

3. He typically faces a community situation where there is little awareness of his needs and little understanding of the contribution his family makes to the community's economic development.

4. His family typically lacks appreciation of the value of education, the need for proper housing and sanitation, good health habits, child care, and the value of family budgeting of money.

5. Typically his parents are nonvoters who lack understanding of the resources and services normally available to American citizens through governmental or private agencies.

Problems encountered by schools

Furthermore, the specific problems encountered by the schools may be summarized thus:

1. Problems related to school records and transfers.
 - (a) Need for more knowledge about the unique life experiences of these children.
 - (b) Need for records of child's previous school experiences.
 - (c) Need for contact with other schools attended by children.
 - (d) Need for a system of transferring records.
 2. Problems related to curriculum and organization for instruction.
 - (a) What should we offer a child who enters late and leaves early each year and often never attends school elsewhere?
 - (b) What can we do for children who are with us only 2 to 6 weeks?
 - (c) How can we determine more quickly and accurately where to place a child in school for best learning?
 - (d) How can we better group children in our classrooms when we have so many varying degrees of progress?
 - (e) How can we modify our health teaching to give practical and functional health education to these children?
 - (f) How can we organize to improve reading with so many different levels of reading achievement in each classroom?
 - (g) How can we teach a child who does not speak nor understand English?
 - (h) What can we do for children who become retarded because of irregular school attendance? Is it best to promote these children regularly in order to keep them with the social groups?
 - (i) How can we provide needed practical homemaking and vocational experiences at the elementary level?
 - (j) How can we make school so attractive that the child will want to attend regularly?
 3. Problems related to materials:
 - (a) Need for special materials geared to interests and backgrounds of these children.
 - (b) Need for additional reading materials of high interest and easy vocabulary.
 - (c) Need for extra books, supplies, and materials to take care of sudden peaks of enrollment.
 4. Problems related to school-home relationship:
 - (a) Parent work schedules make home contacts difficult.
 - (b) Migrant parents reluctant to visit schools and attend PTA's.
 5. Problems related to home life of child:
 - (a) Generally the home is substandard socially and economically.
 - (b) Inadequate housing, unsanitary living conditions, poor diet, and inadequate clothing for children.
 - (c) Children, often quite young, are responsible for care of younger children.
- All of the above implies an urgent continuing need not only for educational programs for migrant children but for educational programs for adults aimed at developing a clear understanding of their rights, responsibilities, and duties as American citizens.

Curriculum possibilities

The school people and other related agencies in these two counties are concerned with the education of these children, and are making every effort to provide a continuous educational program. Teachers have accepted these migratory children as regular members of the schools and make every effort to help them adjust quickly and to adjust the curriculum to meet their needs. Children have to learn from their own experiences. This is a challenge to all teachers, but one which takes on special significance when many children move about in many kinds of situations. For the child who moves with the crops there is a unique

element, since so much of his life patterns is unrelated to group and community living. This results in special needs on his part, and also provides distinctive experiences from which the teacher may draw in helping the child to gain the basic knowledges, skills and understandings which all American citizens need. We find that the migrant child usually has a repertoire of information concerning the growing of agricultural crops, and many other items of information concerning the States and communities in which they have lived. Yet, academically, he is retarded from 2 to 5 years because of his irregular school experience and because of the many other related factors inherent in the pattern of low-economic living. As we have worked with these children greater awareness has developed as to the emerging possibilities for further adaptation of curriculum to meet special needs, as well as the need of more instructional materials geared to interests and experiences.

Through such concentrated, continuous effort to improve the educational experiences of migratory children as indicative in these two counties, we know that children who remain receive adequate education. But, we find that we do not always have the same children in these schools consecutively even for their elementary training.

Enrollment variations

Briefly, here is the picture which according to our findings is typical to other migratory areas:

In the "home-base" situation it is very difficult to identify accurately a migrant child since many children are only shortly removed from migrancy, and others regularly return late and leave early during the school term. Some children move within the county or State during a school term, some enroll irregularly for brief periods, and still others return to the county after periods of 2 or 3 years, often with no kind of school record.

In the "on-the-trek" situation, we find innumerable variations. To be specific: Northampton County enrolled 121 migratory children during school year 1954-55; only 21 of these children had ever attended schools in this county before. For the current school year, to date we have enrolled 116 children with only 42 who are the same children enrolled previously. The children enrolled this year will move to different schools in Georgia, Alabama, Mississippi, South Carolina, and the greater majority to approximately 20 different school systems in Florida. Last year our children in Northampton County were transferred to 23 different schools in Florida.

Too, many of these children have attended school in the Northern States for brief periods before reaching Northampton County. From records available this current year we find that approximately one-half of these children attended school from 4 days to 2 weeks in various schools in Pennsylvania, New York, New Jersey, Delaware, and Maryland. Forty-three children enrolled the first day of school and the others came to us without any previous school experience for the current year.

Frequently, when withdrawing a child from school, he will indicate one school destination, but we find him in another State. It is very difficult to get accurate information as to the destination of these children when they move, and more so, when they move from the "home-base" area.

In speaking of "home-base," we find that so many children actually do not have a "home-base" school. We find that often this refers merely to the town where they go for a visit with relatives or grandparents for 2 or 3 weeks during slack seasons.

Education related to other areas

From my experience I am firmly convinced that the education of the migrant child cannot be thought of as though it were entirely a separate entity. There is such a close relationship of health, sanitation, education, recreation, welfare, housing, and economic status, all of which affect the life of the child and his family. Furthermore, the problems of children cannot be separated from those of their parents. For example: Health of migrant children depends to a large extent on the improvement of housing and environmental sanitation, which in turn must depend to a large extent on education, not only of the children but of adults. Too, the improvement of housing is related to the economic status of the family, as well as to the interest of housing authorities or private owners for the provision of adequate living facilities. Also, we recognize that many of the problems affecting migrants also affect permanent residents of similar low-economic groups.

When we take into account that we have approximately 800,000 to 1,000,000 of these children whose school experiences are disrupted because of the migratory movement throughout our Nation, we become increasingly aware that America cannot afford the loss of such potential energies. Even though we do not have sufficient research data for actual proof, it is my considered opinion that these children today do not get any more education than their parents received, and in many cases less. The drop-outs at the ages of 15 and 16 years of ages are terrifically high. Can we as American citizens afford to let such conditions exist when our democratic way of life is so threatened? How can we expect children to develop proper attitudes and sense of responsibility toward America who grow up under such substandard conditions and receive inadequate educational training? Yet, the services of these migratory workers are essential to our national economy. All of this further points up the urgent need for all agencies on local, State, and national levels to deal specifically with all related phases of migratory living in a coordinated, cooperative way.

RECOMMENDATIONS

Inasmuch as these children have the same needs, desires, and potentialities as other children, it is my belief that they should be integrated into the local school systems wherein they reside, and extended the same educational services as offered local children, with teachers who are aware of the unusual life experiences of migrant children and of the contributions they can make to the total group. Such educational services will require some financial assistance from the Federal Government since many local areas are confronted with large numbers of these children during peak seasons. More research is needed to point up the number of days which children are actually getting into schools throughout the various States, and the type of adaptations of teaching methods and curriculum which is needed in order to provide a continuous on-going educational program. This research can be conducted more effectively from the national level. As I view these problems from my experiences, I further recommend that special resource people be employed by the Federal Government working from the United States Department of Health, Education, and Welfare, to follow these groups through at least two States during a year specifically assigned to the job of working with the school personnel on the local levels as consultants and/or supervisors which deal specifically with the educational problems of migratory children. More awareness must develop from State and local communities, and an effort made to coordinate and extend services interstate as well as nationally.

In consideration of the large numbers of families and children "on-the-trek," the problems encountered by the migrant families, and the problems encountered by States and local communities to provide educational opportunities for these people, as well as the fact that this supplementary type of agricultural labor is essential to our American economy, it is my considered opinion that these above recommendations are reasonable and practical. The development of Americans aimed toward the understanding of our rights, responsibilities, and duties as American citizens is inherent in our public school system.

APPLICATION OF THE APPRENTICESHIP SYSTEM FOR THE IMPROVEMENT OF THE WELFARE OF CERTAIN SEGMENTS OF THE LOW-INCOME GROUP

Robert H. Wilson, executive secretary, National Association of State and Territorial Apprenticeship Directors

It is deemed necessary to give the following historical review of apprenticeship in order that its application for the improvement of the welfare of certain segments of the low-income group may be more fundamentally understood.

The institution of apprenticeship has three fundamental characteristics: (1) It involves basically the use of a mutual agreement between the apprentice and the employer; (2) it utilizes the method of on-the-job training under the guidance of journeymen; (3) the scope of training embraces the all-round skills of a trade or craft.

Apprenticeship in the skilled trade field as it functions today is a system of training in which the apprentice, who is a paid worker, performs a predetermined series of on-the-job work operations under the guidance of a skilled craftsman and who studies off the job certain prescribed and well defined technical subjects related to his job assignments.

Apprenticeship as an institution or system for training unskilled persons to a satisfactory level of skill performance is no different today than many centuries ago. The application of the system and variance in the degree of administration are the only recognizable changes resulting from years of use, misuse, period of dormancy, and subsequent periods of utilization and refinement.

For years employers and education authorities have searched for ways to speed up the acquisition of skill by the unskilled. Many innovations have been experimented with. The pendulum has swung to and fro several times from one extreme of unsupervised work experiences to the other of trade schools and technical institutes. Neither extreme has met the needs for an adequate skilled work force.

The present-day concept of planned on-the-job training supplemented by technical and related instruction proves to be the most effective and economical application of the system from the standpoint of cost of training, ratio of level of skill reached to length of training period and ability to satisfactorily apply the acquired skills to a variety of work situations.

No individual public agency, employer group, or labor organization has any restrictive rights or claims on the method of training utilized in the system of apprenticeship. It is the method of learning by doing and naturally is applicable to all phases of business and industry. It has been such since the beginning of man and will continue to be so.

The one peculiar characteristic of the system of apprenticeship is the mutual agreement. It was this characteristic, coupled with the fact that useful work was accomplished in connection with the training, that made apprenticeship an institution for solving the community problem of the poor, bastards, orphans, and young people who ran afoul of the law.

On the other hand for the same reasons it provided a means by which more fortunate young people could earn a living while learning a trade. For centuries it was the only institution through which the average person with limited or no financial assets could acquire a means of making a living.

Dr. Edward M. Riley, director of research, Colonial Williamsburg, Williamsburg, Va., reviews the history of apprenticeship as follows:

"The Statute of Artificers' of 1562 and the Poor Law of 1601 standardized established customs long recognized and enforced by guilds and local authorities. The statute provided that the apprentice must be bound by articles of indenture and these articles were to be duly recorded. The Poor Law of 1601 made it possible for church wardens and overseers of the poor to apprentice all poor children. * * * In New England and New York the first laws concerning general education and the first compulsory education laws were contained in apprenticeship enactments. * * *

"There were in the Colonies as in England, two kinds of apprenticeship. That described as entered into by 'voluntary' agreement of the apprentice, with the consent of his parents. The other was 'compulsory.' Every Colony kept bastards and orphans off the poor rates by binding them out as apprenticeships to 'insure them to useful labor * * *'

"Apprenticeship was the only way to learn a craft or trade and become a journeyman. When an apprentice had completed his period of service and learned his trade, he became a journeyman * * * and when he saved a large enough sum he could set himself up as a master craftsman * * *.

"Apprenticeship had become an institution based upon agreement between masters and apprentices which depended for legal sanction upon the contract * * *. When the validity of apprenticeship indentures was questioned and the contractual arrangement was abandoned, the apprenticeship system as described ended. Although in many trades such as printing, apprenticeship continued as the method of training craftsmen; and the old system was largely abandoned with the development of factories."¹

Other reasons for the decline of the institution of apprenticeship have been advanced by leaders in vocational education. Paul H. Douglas² asserts as follows:

"The division of labor was the real destroyer of apprenticeship. Industry developed so many subdivisions that all-round training was both expensive and useless."

¹ Dr. Edward M. Riley, director of research, Colonial Williamsburg, Williamsburg, Va., Apprenticeship's System of Training in the Eighteenth Century, recorded in the report of the First National Skilled Manpower Training Conference, July 1955, Virginia Department of Labor and Industry.

² Paul H. Douglas, American Apprenticeship and Industrial Education (Columbia University, 1921).

John C. Wright³ says:

"The constantly changing demands of the so-called trades, allowed the institution of apprenticeship to fall into disuse. The training which the institution of apprenticeship provided was sluggish when compared to today's training methods. The methods today are adopted to rapidly changing requirements."

Proponents of industrial education as a responsibility of the State and the belief that apprenticeship was outmoded expressed the philosophy clearly in one of the bulletins published by the Federal Board for Vocational Education in 1917:

"Responsibility for training industrial workers has been rapidly shifting from the industry itself to other agencies, private or public. This shifting has been in a large measure a direct consequence of industrial development and of generally recognized changes in industrial organization.

"Conditions now obtaining generally in the industries tend to impair the value of regular apprenticeship, and in many trades no satisfactory assurance can be given to the apprentice that he will have, in serving his apprenticeship, opportunities for acquiring mastery in his trade. * * *

"* * * Since modern industrial life no longer provides opportunities for efficient training of such workers, the obligation to give such workers, the obligation to give such training, is rapidly developing upon the State. * * *

"* * * Widespread realization of this critical need for trained workers led to the passage of the Federal act."

Miles H. Anderson⁴ has this to say about the intent and purpose of those sponsoring the Smith-Hughes Act:

"The passage of this act was the culmination of several years of effort on the part of those who supported the idea that industrial education should be a responsibility of the public schools. Apprenticeship as a means of training skilled workers was obviously considered by many people both in industry and education to be an inefficient and outmoded system. Because of this there is reason to believe that the preemployment type industrial education classes provided by the law were intended to take the place of apprenticeship training in providing an adequate supply of skilled workers for the trades and for industry."

However, agreement that the institution of apprenticeship was dead was not unanimous. At a joint meeting of the national organization of employers, contractors, materials manufacturers, and labor organizations, held November 15, 1923, the following conclusions were reached:

1. A thoroughly representative committee composed of all interests in the industry is essential to determine needs and to supervise all training.
2. National associations should set up fundamental training standards for apprentice training. Local variations can be taken care of locally.
3. Preemployment (preparatory) training for employed apprentices or boys under contract for employment is recommended.
4. Cooperation with public schools is essential in promoting apprentice education.
5. All-round training for apprentices is needed more than specialized training.
6. Adequate incentives should be provided to induce boys to enter upon apprenticeship.
7. The local representative committee should see to it that well-qualified instructors are provided.
8. The difference between the problems involved in training apprentices for the building trades and those for shop trades should be recognized.⁵

Arthur B. Mays,⁶ said in 1927 that—

"When the decline of apprenticeship and the shortage of skilled labor made urgent the development of some sort of industrial school, industrial leaders, and educators conceived the idea of a trade school. This trade school was to be a substitute for the old apprenticeship and therefore was planned to cover the years of a young person's life which formerly had been spent in apprenticeship. That such schools were essentially different from apprenticeship seems not to have been realized. For a few years the interest in trade schools was diverted to manual training but when it became clear that manual training was not valuable

³ Hawkins, Prosser, Wright, Development of Vocational Education (American Technical Society, 1951), p. 10.

⁴ Miles H. Anderson, Teaching Apprentices and Preparing Training Materials (American Technical Society, 1949).

⁵ Hawkins, Prosser, Wright, Development of Vocational Education (American Technical Society, 1951), pp. 341-342.

⁶ Arthur B. Mays, the Problem of Industrial Education (New York, the Century Co., 1927).

as specific trade education, interest again turned to the trade school. The trade school of the full-time, long-course type has not proved of great value in the effort to develop an adequate program of industrial education. Its failure has been due chiefly to (1) the very limited number of students who can profit by its offerings, (2) the excessive cost of its establishment and maintenance, and (3) the potential danger inherent in it of overbalancing local conditions of supply and demand in the labor market. There are several excellent trade schools in the country today, but they serve a small number of students. Most of these schools, however, have had to place their chief emphasis on other phases of industrial education than the full-time, long course."

The Government's first large scale intervention in the skill training program for industry and business was established under the Smith-Hughes Act of 1917, and as pointed out above, was not adequate. One reason being that the educational authorities let their schools lapse into the very same situation that the apprenticeship system was accused of—not keeping up to date with changes in industrial techniques. Many vocational educators in their zeal to promote trade schools, some from a lack of experience and others purposefully, ignored or depreciated any of the applicable characteristics of the apprenticeship system. But history has a way of repeating itself and within a decade, interest was being rekindled in apprenticeship.

Alarm was now being expressed over the increasing shortage of skilled workers as a result of the decrease in immigration quotas for skilled workers from European countries, the rapid expansion of industry and the fact that too few mechanics had been trained by industry while experiments were being carried out with manual training and trade schools.

As a consequence, a second major intervention in the skilled trade training field by Government, resulted by establishment of the Federal committee on apprenticeship and the passing of the Fitzgerald Act in 1937. This act provided funds and authorized the United States Department of Labor to promote and regulate apprentice training in cooperation with the various State apprenticeship agencies. Coincident with this legislation to stimulate apprentice training through the Department of Labor, the vocational authorities, who had not met industry's needs during two decades of vocational education under the Smith-Hughes Act inaugurated a version of the apprenticeship system in the public high schools.

For instance, in Virginia, a program of industrial training was established in 15 local communities the same year the Virginia Apprenticeship Act authorized the State apprenticeship program in the Department of Labor and Industry.

Dr. B. H. Van Oot, State supervisor of trade and industrial education, described the program as follows:

"Instead of trying to build and equip vocational schools or departments they have conceived the idea of using existing buildings and equipment belonging to employers. In this program students desiring vocational training are placed in employment of their choice for 3 hours each day under the guidance and supervision of a coordinator and with the assistance of some person in the place of employment who rotates the students from job to job as the students progress in their course of study. The students are paid the prevailing learner's wages. During the remainder of the day the students pursue the regular high-school subjects plus a course in technically related subjects. The program is called a part-time cooperative program, the schools and the employer cooperating in the training of the students."

While this program of industrial training meets all the fundamental characteristics of the apprenticeship system, the education authorities have been adamant in their defense that the diversified occupation program is not apprenticeship.

Another vocational educator who is presently aware that the institution of apprenticeship is alive and flourishing by his statements is either unaware that his predecessors buried the institution four decades ago as being sluggish and outmoded, that even mentioning the word apprenticeship in some circles was taboo or he does not hesitate to demand that supervision of apprenticeship be handed back to those who attempted to bury it earlier in the 20th century. Miles A. Anderson made the following statement:

"Apprenticeship training is primarily an educational program. It should be an integral part of the system of industrial educational that has been developing with our public school system during the past half century * * *

⁷ Dr. B. H. Van Oot, supervisor, trade and industrial education, Virginia Department of Labor and Industry, Let's See Ourselves As Others See Us (a treatise; Virginia Department of Education, 1955).

Apprenticeship as it now functions is a system of education in which the learner masters a skilled craft through a combination of supervised work experiences on a payroll job and study of the technical aspects of the craft through laboratory and classroom work provided by the public school * * * Since the apprenticeship program is an educational program, it should be a part of the system provided by the public schools and therefore it is the administrators of the public schools who are primarily responsible for organizing and operating it."⁸

It has been my purpose in the above to show that the system of apprenticeship adequately met certain social and skill training problems for centuries in the past; that the system was adaptable to varying situations; that its use after advent of the machine age, particularly in this country which was developing rapidly, declined because educators and industrial leaders did not have either the foresight or desire to adapt and revise administration procedures and methods, that the system did not completely die out but was kept alive and flourished in the building trades, large railroad corporations and by large manufacturing corporations. For example, 35 large industries, many of which are up to date and modern, from the standpoint of automation, division of labor, and leaders in the field of mass production, have maintained their apprenticeship programs. In October of this year, representatives of 35 of these firms, comprising the American apprenticeship roundtable met and reaffirmed their belief in the apprenticeship system and recognized the need for training more craftsmen through apprenticeship. Apprenticeship is just as modern as industry because it is an integral part of industry. The craftsman working in industry must keep up to date with his skills and techniques and his knowledge of new materials. The apprentice serves his apprenticeship in such an environment.

Just as the institution of apprenticeship, met skilled training needs in the past and is doing so adequately in modern times, so can the same system that was used to solve certain social problems be adapted to the same type of problem today. California, through use of its local joint apprenticeship committee is demonstrating that as described below:

"California has 19,360 active apprentices at present and hope to build this number to a considerably greater total. Certainly, the program is not yet completely meeting the needs.

"The apprenticeship staff, for several years, has worked with the department of social welfare and county welfare agencies throughout the State in conjunction with the aid to needy children program. The coordinated program with the welfare agencies has for its objective to get ANC teen-age youths into apprenticeship, thereby getting them off of the relief rolls and on their way toward job careers which will give them security and make them contributing citizens. Every ANC youth who is drawn into the apprenticeship program will reduce the future total of low-income families. In this program the apprenticeship agency cooperates with the welfare workers in making careful selections of ANC youths and intercedes with the joint apprenticeship committee on their behalf. Exact figures of the number of ANC youth who have thus been placed into apprenticeship through this cooperative effort of the apprenticeship agency and the welfare agencies, are not available but it will amount to several hundred individuals. The procedures are improving and we feel that the program is progressing satisfactorily.

"For several years the apprenticeship agency has also worked with the Bureau of Indian Affairs and the relocation centers in Oakland and Los Angeles which are relocating Indian families from the reservations. Joint apprenticeship committees are very cooperative in their willingness to accept Indian youths into apprenticeship. Many more Indian youths than are being referred to the agency could be absorbed in the various trades.

"Through a cooperative arrangement with the California Department of Corrections and Adult Authority, the apprenticeship agency has contributed considerably to rehabilitation of inmates and parolees. Joint apprenticeship committees throughout the State have taken an interest in this program, visiting correctional institutions to advise on their inmate training and later accepting qualified parolees as apprentices in their programs. We feel that the joint apprenticeship committees have helped greatly to get labor and management in general throughout the State interested in rehabilitation. The overtones of this are that many parolees are placed in industry as other-than-apprentices, especially in nonapprenticeable occupations, if the parolee is over the apprentice age.

⁸ Miles N. Anderson, *Teaching Apprentices*, American Technical School, 1949, p. 1.

At San Quentin the apprenticeship agency has a complete indenture program for inmate machinists joint apprenticeship committee. The training is timed so that the inmate completes his apprenticeship at the time he is ready for parole and, consequently, is able to step out as a certified journeyman machinist. This particular program which has been going for some time has proved most successful and there are quite a number of journeyman machinists trained at San Quentin who are employed in shops in various parts of the State. It is felt that this rehabilitation program ties in with the general subject of low income since few men who have received the benefit of apprenticeship training are apt to fall into the low-income group again.

"The apprenticeship division has cooperated with community groups interested in minority group problems and has been instrumental in helping to introduce individuals from minority groups into apprenticeship in certain craft situations where they had not customarily been accepted.

"The apprenticeship division has also assisted in the placement of disabled veterans and physically handicapped nonveterans into on-job-training situations."

The Apprenticeship Division of Puerto Rico also reports that the apprenticeship system is being utilized in its program for raising both the social and skill level of the low-income group.

"Since the beginning of our industrial development program in 1941 to the present time, about 25,000 industrial jobs have been created. Industrial training programs have been organized to prepare workers for the different manufacturing operations and at the same time apprenticeship programs have been established to take care of the preparation of the skilled labor force required. Since 1947 to 1955 about 2,000 apprentices have been registered in different apprenticeable trades.

"Statistics collected by the Insular Department of Labor reflect that the real income of the average earners family in Puerto Rico has risen from \$360 in 1941 to \$1,180 in 1953. According to our economic program our Government is aiming to have 90 percent of our families with an income of \$2,000 for the year 1960.

"Conscious of the fact that our future progress and strength depend, to a great extent, on the deliberate concern with our manpower resources, the Apprenticeship Division of the Insular Department of Labor, has started an orientation campaign to give information about apprenticeship training to employers, employees, and the general public, with the idea of concentrating all these forces for the sake of contributing to the greater well-being of each individual and the strengthening of our community as a whole. Labor leaders, manufacturers associations, trade associations, school authorities, and individual concerns are working in the common goal of individual training to facilitate our industrial expansion program.

"Beyond any doubt, the apprenticeship training program is assisting untrained persons to increase their productive capacity and facilitate better level of earnings."

The director of the St. Cloud Reformatory for Men and the Minnesota director of apprenticeship worked out the following agreement for use of the apprenticeship system in the training and rehabilitation of prison inmates:

"In consultation with instructors in the various shops, it is possible to arrange preapprentice training for the following number of inmates that may be released on parole each year.

1. Printing department.....	7 to 8 men.
2. Shoe repair.....	5 to 6 men.
3. Cabinetmaking.....	6 men.
4. Radio and television.....	4 to 5 men.
5. Painting (construction).....	2 men.
6. Automobile mechanics.....	5 to 6 men.
7. Auto body and fender mechanics.....	2 men.
8. Upholstering.....	5 to 6 men.
9. Tailoring.....	5 to 6 men.
10. Bakers.....	3 to 4 men.
11. Meatcutters.....	3 to 4 men.
12. Cooks.....	5 men.
13. Garment cutters.....	1 or 2 men.
14. Sheet metal.....	1 man.
15. Blacksmith.....	3 to 4 men.

It is contemplated that representatives of the apprenticeship agencies will cooperate with apprenticeship committees representing management and labor in

selling the idea of rehabilitating inmates of this institution, by cooperating with the employment service or any other agency that may be helpful in the placement of parolees to complete their apprenticeship. It will also be necessary for the apprenticeship training people to work closely with the parole department and the supervising parole agents.

Observations made by the Director of Apprenticeship reveal that two civilian instructors are graduates of bona fide apprentice-training programs.

The printing instructor holds a certificate from the State of Minnesota. The upholstering instructor is a graduate of the Ford Motor Company Apprenticeship School, and the painting instructor is a member of the St. Cloud Painting and Decorating Joint Apprenticeship Committee. It is further observed that all supervisory personnel would welcome an opportunity of participating in a recognized apprentice-training program."

The Oregon apprenticeship director makes the following statement:

"From the Oregon Public Welfare Commission, director of public assistance: The majority of men who appeal to this department for assistance do not have skill or profession. The record indicates that their economic condition and need of assistance is due primarily to childhood influences and lack of opportunity. They have the native capacity both mentally and physically for normal economic stability and it is felt that in most cases if they had been aware of opportunity for training in some skilled trade and if the mental conditioning during the formative years had been encouraging, their unstable social and economic situation may have been prevented."

The Connecticut supervisor of apprenticeship says, "Our State agencies are geared so that cooperation exists between welfare representatives in cases where youngsters are not adaptable to school work. Arrangements are made to enroll these youngsters in apprenticeship programs, thus opening a means of expression for the individual involved."

For study of the problem of juvenile delinquency the Virginia Advisory Legislative Commission established under House Joint Resolution No. 53 in its report to the Governor on October 3, 1955, made 33 recommendations. Of the 33, 7 were devoted to useful work and training programs for young people. These recommendations are as follows:

"9. For children who are either intellectually limited or emotionally handicapped, the school curriculum should be modified, and they should be taught by teachers especially trained and suited to cope with their needs. Manual and trade training programs for this group of children should be included in every school system..

"10. The regular school-work training program of the public schools should be expanded so that more children will benefit from a modified academic program coupled with supervised work in the community. Schools should offer such a program to the children between the ages of 14 and 16, as now permitted by the enabling statute, as well as those between 16 and 18.

11. Section 40-100.5 of the Code of Virginia should be amended to permit the issuance of provisional-employment certificates for part-time work for children between the ages of 14 and 16; such certificates should, however, be issued only after thorough counseling and guidance.

12. Schools should furnish employment guidance and counseling by qualified personnel to all youth seeking work permits before such permit is issued. Schools and the Department of Labor should cooperate in a wider dissemination of easily read information about child labor laws.

13. Business and industry, on both State and local basis, should be invited to consult with and cooperate with public school personnel in connection with part-time work programs for youth between the ages of 14 and 18.

14. State employment offices should designate and train staff persons especially suited to help youth find employment.

15. Every effort should be made to find suitable types of employment for youth, particularly between the ages of 16 and 18.

In conclusion it should be stated that the institution of apprenticeship by its very nature is economical in operation, adaptable to varying situations, readily geared to skill needs and offers a medium through which management, labor, and the community can cooperatively meet and solve their mutual problems. Therefore, it is strongly recommended that favorable consideration be given to making more effective use of apprenticeship system in solving certain pertinent problems of the low-income group.

SCHOOLING OF RURAL FARM CHILDREN

A statement by Mrs. Gertrude Folks Zimand, formerly general secretary, National Child Labor Committee

The National Child Labor Committee, a nonprofit social agency, was established in 1904 and incorporated by an act of Congress in 1907. It is a member of the National Social Welfare Assembly and an associate group of the National Conference of Social Work. Its financial support comes primarily from contributions from 15,000 nonvoting members throughout the country.

One of its major concerns throughout its entire history, which spans more than half a century, has been the schooling and welfare of rural farm children. It has made more than 35 studies of farm children and their families in various parts of the country—sharecroppers, tenants, migrant workers, and the low-income family farmers who are the special subject for consideration at this hearing.

We are familiar with the conditions that exist. We know that the problem of low-income family farms is urgent and earnestly hope that this Congress will take prompt action to initiate measures that will improve their status.

President Eisenhower in his message to Congress on April 27, stressed the fact that this is "a human problem" that "calls for understanding and for action." The data I am submitting is directed to this point and will show the deleterious effect of low-income farm life on the children and young people in these families. Although I shall not dwell on the economic aspects of the problem, which have been ably presented in the Department of Agriculture's report *Development of Agriculture's Human Resources* and in other official reports, I would like to put on the record, as a setting for the material I shall present, two facts from the United States census report on Family Income in the United States: 1952 (series P. 60, No. 15, tables 9 and 4, published April 27, 1954):

First: There are in the United States 3,965,000 families in which the family head is employed in agriculture, forestry, or fishing. Nearly half of these families—47.6 percent—have cash incomes of less than \$2,000 a year. For 25 percent, approximately a million families, the cash income is less than \$1,000 a year.

Second: Many of these low-income families are relatively large families with minor children. The following data, though based on rural farm residence rather than on the occupation of the head of the family, make this unmistakably clear:

Total money income, rural-farm families, 1952—Distribution by number of children under 18 years

	Total	None	1	2	3	4	5	6 or more
Number of rural farm families in United States.....	5,452,000	2,106,000	954,000	978,000	608,000	370,000	202,000	234,000
Median income.....	\$2,226	\$1,722	\$2,273	\$2,892	\$2,590	\$2,500	(¹)	(¹)

¹ Median not shown where there were fewer than 100 cases in the sample reporting on income.

Of the nearly 5½ million families living in rural-farm areas, over 60 percent have minor children under 18 years to support.

For 370,000 families with 4 children under 18 years, the median money income is \$2,500. Assuming 2 adult members to a family, this would mean a median of \$8 per person a week. And since this is a median, many of these families have considerably less income, and the parents have to struggle not only to maintain themselves and their families, but to feed, clothe, keep healthy, and educate 4 children on less than \$1 a day per person.

When people are forced to live in such abject poverty, one result is the educational deprivation of their children. Our country has always placed a high value on education both for its enrichment of the life of the individual and because it knows that an educated citizenry is essential to the effective functioning of a democracy. Our educational progress has been rapid and I think it is safe to say that in general more children attend school and remain in school to a higher age in the United States than in any other country.

But some of the children in this country do not share in our high educational standards and primarily these are the children of low-income farm groups. The following table gives, by three age groups, the number of children living in rural-farm areas who are not enrolled in school in the 12 States included as low-income Southern States in the report of the Department of Agriculture. (School enrollment as used by the United States census, includes any children who were on the school register between February 1 and the date the census was taken, regardless of whether the child had attended school at all during that period.)

School enrollment of rural farm children, 7 to 17 years, inclusive, by age groups in 12 southern low-income States

	7 to 13 years			14 to 15 years			16 to 17 years		
	Popula- tion	Not en- rolled in school	Per- cent	Popula- tion	Not en- rolled in school	Per- cent	Popula- tion	Not en- rolled in school	Per- cent
Alabama.....	168,390	8,420	5.0	48,420	6,330	13.1	44,700	17,025	38.1
Arkansas.....	133,240	8,780	6.6	36,190	5,325	14.7	33,880	12,385	36.6
Georgia.....	167,395	7,655	4.6	46,915	6,160	13.1	43,675	20,475	46.9
Kentucky.....	157,925	21,740	13.8	44,250	10,115	22.9	41,780	20,905	50.0
Louisiana.....	99,870	6,250	6.3	26,755	3,380	12.6	25,365	9,475	37.4
Mississippi.....	191,370	14,870	7.8	51,095	7,120	13.9	46,750	15,070	34.2
Missouri.....	121,285	5,865	4.8	33,330	4,390	13.2	31,880	10,075	31.6
North Carolina.....	235,360	12,045	5.1	66,160	7,215	10.9	63,735	23,820	37.4
Oklahoma.....	86,680	2,975	3.4	25,260	1,775	7.0	23,495	5,105	21.7
South Carolina.....	130,115	8,565	6.6	34,335	6,195	18.0	33,150	15,155	45.7
Tennessee.....	159,855	9,625	6.0	45,335	6,195	13.7	42,750	17,205	40.2
West Virginia.....	69,420	3,875	5.6	19,960	2,320	11.6	18,435	7,540	40.9
Total.....	1,720,905	110,665	6.5	478,005	66,520	13.9	449,595	175,135	38.9
Total for United States ex- cluding these 12 States.....	1,797,155	76,075	4.2	493,300	39,815	8.1	466,835	125,435	26.8
Total for entire United States.....	3,518,060	186,740	5.3	971,305	106,335	10.9	916,430	300,570	32.8

These figures show a much higher proportion of rural-farm children in all 3 age groups not enrolled in school in these 12 States than in the rest of the country.

The only State where this is not true is Oklahoma, where less than half of the State is considered a low-income farm region. It is most marked for children under 16 in Kentucky, Mississippi, Arkansas, and South Carolina—and for 16- and 17-year-olds in Kentucky, Georgia, South Carolina, and West Virginia. Disregarding the differences in the individual States, the general low level of school enrollment in these 12 States as a whole can be summed up as follows: These 12 States have 51.7 percent of all 7- to 13-year-old rural-farm children, 59.3 percent out of school; 49.2 percent of all 14- to 15-year-old rural-farm children, 62.6 percent out of school; 49.1 percent of all 16- and 17-year-old rural-farm children, 58.2 percent out of school.

One other set of figures is significant in this connection. These relate to the number of farm youth of school age, 14 through 17 years, who are in the labor force and out of school.

Young workers in rural farm areas in labor force in 12 southern low-income States, by school enrollment, United States decennial census, 1950

State	14 to 15 years			16 to 17 years		
	Popu- lation	In labor force and enrolled in school	In labor force and not enrolled in school	Popu- lation	In labor force and enrolled in school	In labor force and not enrolled in school
Alabama.....	48,090	6,550	3,190	44,565	5,955	10,130
Arkansas.....	36,110	3,395	1,025	33,875	3,670	5,895
Georgia.....	46,975	8,630	3,495	43,640	6,180	13,560
Kentucky.....	44,205	4,630	3,730	41,735	3,230	9,930
Louisiana.....	26,675	2,650	1,385	25,290	2,445	5,270
Mississippi.....	51,105	9,725	2,865	46,865	8,845	7,780
Missouri.....	33,260	4,010	1,620	31,890	4,235	5,560
North Carolina.....	66,110	8,620	3,135	63,705	8,160	14,425
Oklahoma.....	25,260	2,550	510	23,515	3,010	2,375
South Carolina.....	34,285	6,515	3,355	33,085	5,165	9,780
Tennessee.....	46,390	3,860	2,150	43,455	4,030	8,840
West Virginia.....	19,975	735	400	18,425	830	3,150
Total.....	478,440	61,870	27,760	450,045	55,755	96,695
United States, excluding these 12 States.....	491,905	62,935	14,715	465,800	69,975	74,355
United States.....	970,345	124,805	42,475	915,845	125,730	171,050

For 14- and 15-year-olds, the percentage of rural-farm children working part-time at home or elsewhere and enrolled in school was almost identical for the 12 low-income States and the rest of the country. But the percentage who were not enrolled in school and were working was twice as high in these 12 States as in the rest of the rural-farm areas of the country. In these 12 States 1 child of this age out of every 17 was out of school and working. In the rest of the rural-farm area only 1 out of 33 was out of school and working.

For the 16- and 17-year-olds, also, a larger proportion are out of school and working—nearly 1 in every 4 compared with 1 in every 6 in the rest of the country.

Data on the employment of children under 14 years are not included in the decennial census counts. However, a special sample count in October 1950 indicated that in the United States as a whole about 86,000 children 10 to 13 years were out of school and working, most of them in agriculture.

It is clear that in the rural-farm areas of these States the number of children of all ages who are out of school, both those reported as working and others, is proportionately very much greater than in other States. This reflects the results of the low standard of living forced upon families when their income is inadequate to meet even minimum needs. They are either financially unable to send their children to school—some children probably haven't even decent clothes to wear to school—or they, and their children, see no use—and no help—in education.

This is a vivid—and alarming—illustration of what President Eisenhower said in his message to the Congress:

“Curtailed opportunity begets an economic and social chain reaction * * * participation diminishes in community, religious, and civic affairs. Enterprise and hope gives way to inertia and apathy.”

The figures I have given are borne out by other indexes available in official reports. Data on the highest grade in school completed by the rural-farm population in these States; the grade distribution of children in school and the percent in high school; figures on draft rejections for educational deficiency—all reveal educational standards far lower than in other areas of the country—and far lower than should be expected or tolerated in the United States.

I have brought these figures to the attention of your committee for two reasons:

1. To highlight the chain reaction that President Eisenhower referred to. Poverty, apathy, and educational deficiency almost to the point of illiteracy have always been a vicious cycle. Experience has indicated that the relief of poverty is the basic approach which breaks the chain. This was true in our industrial communities. The same cycle existed there. But it was broken as economic progress and higher wages and living standards were achieved.

2. These figures have a bearing on the recommendations in the Department of Agriculture's report for dealing with the extension of vocational training in low-income rural farm areas. The report's emphasis on the importance of working with young people is sound. The recommendations on vocational training are excellent, per se. But such vocational training is given in the high schools, and, as the report suggests, in area schools and community colleges. The young people in low-income families will not benefit from an extension of vocational education facilities until they are brought into the schools, and until they remain in attendance through high school. Immediate emphasis should be placed on bringing up the level of school attendance—in part through the enactment and enforcement of compulsory attendance laws that do not carry exemptions for rural areas; in part, through educational work with parents and young people to overcome their apathy and indifference to schooling; but primarily through measures to raise the level of income and thereby the standard of living and the hopes and the ambitions of young people.

We endorse the approach to the problem of the low-income farmer embodied in the Sparkman and Patman bills (S. 1199 and H. R. 4300). They are basically sound in combining the features of supervised credit, technical assistance, education, and the development of opportunities for off-farm employment. Their focus is on the preservation of the small family farm rather than on encouraging further development of large-scale industrial agricultural operations. Their underlying philosophy—and the same is true of the Humphrey resolution—is that the family farm strengthens family life and strengthens our democracy. This to us seems fundamental. Farming in this country is—and always has been—more than a means of livelihood. It is a way of life that appeals to many people, that has always been esteemed in this country, and that many families want to follow, even though their income may be lower than if they left the farm, provided that they can maintain their families in health and decency and can give their children the same opportunities other children in America now have.

We are, therefore, very sympathetic toward proposals that do not look so much toward accelerating the removal of families from farm communities as to making the family farm more efficient and developing resources for part-time and off-farm employment to supplement income from farming operations.

Mr. BOLLING. Before we proceed to the panel discussion, I would hope that this would seem an appropriate time to you, Mr. Brownell, for you to discuss the administration program in relation to its impact on low-income groups, so that we would have, in effect, that in the pot before we got to the panel discussion.

Mr. BROWNELL. Mr. Chairman, I do not want to monopolize the morning. If you get me started on the subject of our hopes and aspirations you have given me a pretty wide open field.

Mr. BOLLING. I am sure that you as an educated man will use due restraint.

Mr. BROWNELL. I tried to indicate in my opening statement that we see the problem of the low-income group as a part of the total program of education, and to that extent we must recognize that everything we are doing in our program should contribute to this particular problem.

Now, I mentioned a few of the special things that we are doing in the Office of Education in attempting to strengthen the services rendered by the Office.

Let me indicate that in our reorganization of the Office during the past year we have recognized that we serve in three major ways: First, in the administration of grants, one of which is the vocational education program, we feel that as this program is expanded additional funds voted by the Congress it is one of the ways in which our program can attack this area of concern.

Recent figures presented to me by the Assistant Commissioner of Vocational Education indicated that in the utilization of these funds

and in the plans for the coming year a very considerable portion of the funds are going for the extension of vocational education into schools that do not at the present time have vocational education programs, or into the expanding of programs where they now exist. That, I think, is the direction in which we are trying to develop the work in this area, to get more people who could profit by vocational education involved in the vocational education programs.

Let me move to the second area, which is the area of research. We have been devoting a very considerable amount of our time to the development of research plans in the belief that we must attack the problems of education in this country in the same systematic, thorough, scientific way that we have attacked the problems of agriculture and health and defense in other areas, through research.

You may be interested in some of the figures that I had pulled for me from a study of the 1955 Federal Budget in reference to the amount of Federal funds that were provided for research. Taking just the regular departments, not the research department, we found that some \$228.2 million were appropriated for research on natural resources, transportation, communications, and other areas of that sort, and that out of that four-tenths of a million dollars was appropriated for research in education. Thus, we are attacking that problem because we feel it is long overdue, and, as I indicated, one of the 10 research projects which we have in our budget, and for which we hope to get appropriations, is in this area of education of the low-income families.

Now, the third area that we have, and the one that I think has traditionally been associated with the Office of Education, has been its program of services in higher education, vocational education, State and local school systems, and international education. Here the way in which we are projecting our program to provide additional services is to get more information to more people, not only through additional publications that will provide them the information but also through the use of some of the newer media, such as exhibits, which may cause people to become more concerned about educational problems. We expect to expand our services here.

Furthermore, one of the ways in which we find that our school boards and school people and citizens generally become concerned about education and recognize needs is through more statistical background. This committee, for instance, is just one of many committees that, in trying to find out what the situation is in regard to one or another aspects of education, want statistical information about the situation in our schools.

Now, the Office of Education cannot manufacture statistics about the country. It has to collect them. And this means that our statistics can be no better than the records and reports that are kept by the approximately 60,000 school districts in the country. There are two things that we are doing in that area. One is the project which was undertaken a number of years ago with school business officials, school boards, State departments of education, and others to get some agreement on uniform records and reporting by the several States. The other is to provide in the Office of Education increased facilities for processing and making available the information that we collect.

One of the statements I frequently make is that I have had criticism of the Office of Education to the effect that the data it makes available are historical before they are current. We are trying to attack that

problem so that we reverse that and have our information current before it is historical.

These are some of the highlights of our proposed program in the development of the Office of Education, to make it more useful to the States and local communities. I have not mentioned one of our very big concerns on which we have been working for the past 2 years, ever since the plans were developed for the White House Conference on Education, namely how the Office of Education could capitalize on the increased knowledge and understanding and concern of people generally which has come out of these conferences. We are establishing a special section in the Office of Education to work more systematically with the national organizations, and other groups that have undertaken activities in connection with the State and White House conferences to push forward the activities of citizens generally. To the extent that the States continue such organized groups as they have used in many cases for the development of their State conferences, we would work with that group also.

We want to continue that on a systematic basis.

Now, as far as what that may mean in terms of legislation at this next session of Congress, I think the only appropriate thing for me to say at this time is to confirm what the Secretary indicated in his testimony before this committee: That we are considering legislation in terms of all of these different proposals. We are considering the problem of shortage of classrooms, shortage of teachers, and all of the topics that are being considered in connection with the White House Conference, to see what kind of legislation may be called for to advance education.

The legislative program, of course, has not been firmed up to a point where I could at the present time discuss it. But I do want to thank you for this opportunity to tell you that we are taking positive steps in strengthening the services of the Office of Education in all of these different areas.

May I, just in closing, note one thing that I think has not been brought out here as yet, but which I think has a bearing on this problem of low-income families, and that is that to the extent that public education is made available on a free basis to individuals, low-income families profit the most, because the higher-income families could afford the costs of private education if no public schools existed.

Incidentally, people seldom realize what you might call the hidden costs in so-called free public education. We have gone a long way in this country in removing some of those hidden costs, such as the costs of textbooks, but there are other costs for individuals, such as the cost of participation in school activities, and school lunches, that contribute to a considerable extent to what an individual gets out of being in school.

We have made a number of studies at the Office of Education into these hidden costs, and we believe that more attention needs to be given by school boards and people, generally, to how those hidden costs may affect education. The fact that an individual may come from a family situation which makes it impossible for him to join in the social activities, or wear the same kind of clothes as other students, may affect materially whether he can profit fully from the

school. That, I think, is important to the low-income families problem.

Mr. BOLLING. Have you any studies on that specific subject? Do you have any studies on what those specific costs amount to?

Mr. BROWNELL. I think I can cite some figures right here. This is a study that was made back in 1942-43, by a man by the name of Jacobson. It was not a study in the Office of Education. He found that the median cost of attending high school was \$75.75 a year, and the cost ranged from \$58.50 a year for the smaller systems, up to \$103.50 for schools in communities of 1 million or more population.

In California, a study was made which included both the junior and senior high schools, and it shows that the average senior high-school expenditures in 8 weeks were \$52 for boys and \$51 for girls; in the junior high school, the figures were \$30 for boys and \$32 for girls. Now, if you adjust that to cover the year it was estimated that it cost \$230 a year to attend senior high school, and \$135 for boys and \$144 for girls to attend junior high school.

Those are just samples; there are a number of other studies of that sort.

Mr. BOLLING. One other thing, Mr. Brownell: What is the budget for the current fiscal year for your Office?

Mr. BROWNELL. For the United States Office of Education, \$3,050,000.

Mr. BOLLING. Are there any figures that would indicate the total expenditure of the Federal Government on educational activities?

Mr. BROWNELL. No. There is no way at the present time whereby all of the agencies of the Government that are involved in educational activities report those expenditures, so that you can get at them. There was a committee, if you recall, of the House, to study Federal activities in education about a year ago. The document covering that study is a rather long document. There was also a report made by Mr. Quattlebaum in the United States Library of Congress, which attempted to bring together what information he could get on that. That was about 2 or 3 years ago, wasn't it, Jim?

Mr. McCASKILL. 1951, I think it was published.

Mr. BROWNELL. Of course, those figures are pretty large, but one of the problems is in defining just what an educational activity is. If you include in your definition such things as the cost of education of men in the armed services, and the educational program of the armed services, that runs into a lot of money. If you count the National Science Foundation, partially an educational enterprise, then you have another category.

Mr. BOLLING. To move from the specific to the general—but before I do this I want to be sure that you have no objection to participating in a panel discussion, Mr. Brownell.

Mr. BROWNELL. No. At any time I will say, if you don't mind, I will have it off the record, if that is the case.

Mr. BOLLING. I did want to be sure that met with your approval.

Does any member of the panel feel that the expenditures of the Federal Government for general public education represents a very substantial proportion of the Federal expenditure in the domestic field?

Mr. BROWNELL. It is about 3 percent; isn't it?

Mr. McCASKILL. It is less than 3 percent. It is approximately 2 percent, according to the most recent figures of the Office of Education. That is 2 percent overall.

I happen to have the appropriations of the first session for fiscal 1956 for education. They are grouped under major Federal appropriations for educational programs, and the total is \$308,935,500. That includes the salaries and operating budget of your office, which you have mentioned, vocational funds, \$26,500,000, the federally affected areas, which amounts to approximately \$90 million; that is both Public Laws 815 and 874. The land-grant colleges, approximately \$2½ million, \$240,000 supplemental for the White House Conference on Education—school lunches, \$83,236,000; then agricultural experimentation, approximately \$25 million, agricultural extension, payments to the States under the act, \$45,475,000; \$18 million for the educational exchange program, and \$16 million for the National Science Foundation.

Now, there would be a considerable difference in the itemization that I have given you and the one under the Quattlebaum study made several years ago, because the Quattlebaum study took the Bureau of the Budget's identification of educational programs and, for example, it includes the 1950 census, you see. It includes some activities that we would not consider educational programs in terms of their contribution to the system of education generally in this country.

Mr. BOLLING. Thank you.

Do any other members of the panel wish to comment on this or any other subject that is properly before the hearing? Are there further comments resulting from the statements of others?

Mr. BROWNELL. May I make one more comment on something that hasn't been brought up that I think has a bearing on this problem of the low-income families, particularly as related to rural areas.

One of our concerns has been that we know that a very large number of the children who are today growing up in rural areas are not going to find their lives as adults to be in rural areas. This may not be an accurate figure, but it gives somewhat the proportion; approximately half the children who grow up on farms are likely to be living in the urban areas: Thus, the problem of education in the rural areas from the standpoint of vocational education is not to provide them training to be farmers, but to provide them the kind of education that will make them competent adults for urban living; and where you have children scattered as far apart as you have in the rural areas, the problem of developing the curricula that will be most useful to them is a very tough one that we have to face in this country. As I say, we are concerned about that because I think it has a particular bearing on the rural areas, the low-income rural areas. I think Mr. Masters might know more about that than I do.

Mr. MASTERS. I would like to say that while we provide a lot of funds—and I have no objection to it, for agricultural extension—in my State up to 80 or 90 percent of the cost for general extension is borne out of fees taken from the student for this service.

Now, one of the difficulties is to develop and to supply training courses for this student that migrates from the rural area to the urban area, so he can be retrained and fit into an industrial kind of an assignment. And we are concerned that these adult groups moving

not only from the rural area to the urban area, but moving from one job to another, needing retraining, and for these individuals that find themselves out of a job because of changes in industrial patterns, again need this kind of adult education training, so we feel that the general extension program is in great need of support to develop the kind of service for this population.

Mr. BOLLING. Mr. Bray?

Mr. BRAY. I would just like to say that, though I certainly am in wholehearted agreement with the observation about the problems raised by migration of young people into different areas, the tone of the last two contributions seems to emphasize that it is a problem in vocational education, and broadly conceived, that is true. Our studies have convinced us, however, that the best kind of vocational education is a good, broad public-school background in the basic skills, and that people develop their skills in many cases on the job, or in short courses, and that they have the potential for changing and developing, as their residence and the economy changes, on the basis of a broad public high school education which stresses what are sometimes called the fundamentals. Therefore I would simply like to note that in considering this problem, I think Dr. Ginzberg and I would say that it isn't so much of a problem of developing specific vocational training courses in the rural areas, which might fit people for where they might go, but a strengthening of general education.

Mr. BOLLING. That approach is accepted and the problem is a much simpler one, because then you don't have groups of people with only one type of skill which won't be utilized in other areas to which they may move.

Mr. BRAY. Yes, sir; and also vocational education is much more expensive than the other type of education.

Mr. BOLLING. Mr. Brownell?

Mr. BROWNELL. I would like to make one comment on that. I have very real sympathy for the point of view that education is far more than just training and skills, and that what we are always attempting to do is provide a sufficient breadth and flexibility of background in people so that they can fit into the variety of situations they have to adapt to. Certainly everything points to the fact that people are going to have to make more and more changes in their occupations rather than fewer and fewer of them. But I would call attention to another thing that is, I think, equally important in our consideration of the kind of education that needs to be provided.

All of our studies point to the fact that a lot of loss of trained manpower is due to the fact that for some reason or other people don't go on with their education.

Now, why is it they don't go on? We find it isn't lack of ability in many cases, it isn't financing in many cases. It is lack of motivation, and whether we like it or not, there is no question but what people are motivated to work if they can see some rather specific relationships between what they study and what they want to do.

One of our problems in education, then, is always, where people have specific aims, to help them toward that aim, but to encourage them to see that aim broadly; and when we are trying to provide breadth of education, to get them to see its specific application, if you please, so that it isn't just something that is abstract but has relationships to what they do.

In other words, you always have to move from generalizations to specifics and from specifics to generalizations in good teaching. I am inclined to think that one of the reasons why vocational education has been so successful with some students is that they have had a motive that they saw was associated with their education; and they had good teachers who got them to see beyond just doing it for today, and in reference to something else. That so-called vocational education has been liberal, or general, in its background for their usefulness, and I have sometimes advised parents not to be concerned because of the fact that their child in the early grades wanted to be a policeman or brakeman if they wanted him to be a doctor; that if he wanted to be a policeman or brakeman, for goodness' sake let him get all the experiences that will teach him about that and motivate him to do that kind of work, because chances are in a few years he wants to be a farmer or banker, and then let him learn all there is about that if that will motivate his work so that he will apply himself to the job at hand.

The point I am trying to make is that I think very frequently we become overly concerned about whether education is general education or whether it is vocational education; without recognizing the fact that unless the individual sees in whatever kind of experience he has, that it is something that he wants, we are likely to lose more by our concern than we gain; because we lose the individual, and it is the individual that is the important consideration in any educative program. I don't think that we are in disagreement on our fundamental position. I simply wanted to enlarge that point of view.

Mr. BRAY. I don't think we are in any fundamental disagreement either. I would just like to add that we have felt that one of the reasons why the so-called fundamental subjects have been resisted by some students is that there have been failures on the teaching side in indicating clearly to the student how the things that he is learning in these courses will be vocationally useful, and also we feel that part of the function of vocational guidance should be to emphasize to the student that these fundamental subjects will be as vocationally useful as other kinds of training.

However, I would not say we would not agree that certain students may have to be led through more specific, or more clearly vocationally oriented kind of materials, in order to increase their motivation. Our only concern was that they be led thereby into acquiring this broad flexible background, rather than as sometimes happens in vocational education, the education becoming merely narrow skill-training.

Mr. BOLLING. Did I correctly gather the impression that all of you agree very substantially on one point, and that was that to solve the problem of education with regard to low-income families, that the problem of education for the United States had to be solved?

Mr. MASTERS. Yes, sir.

Mr. BROWNELL. Yes, sir.

Mr. BOLLING. That was it in general.

Mr. McCASKELL. I think I sounded off on that more than anybody else and I think I am of the opinion that the interdependence of these people in the economic system is such that just to isolate one little group wouldn't be any more profitable or useful to us than if we had just isolated the small, poor farmer and left all other farmers in the community out of the extension program. It seems to me this is something that affects the whole population, not just a part of it.

Mr. BOLLING. So while this subcommittee is primarily concerned with low-income groups, it finds itself in this field at least confronted with the problem as a totality and there is no opinion on the part of any of you that you can segregate this out.

Mr. BROWNELL. Mr. Chairman, I will speak only for myself but I think that probably all of us would agree that it is important to recognize that in the case of low income, you have certain conditions that probably need to be given particular attention, but that you can't just pull that clear out from the total educational picture.

The low-income group has to be provided for just as you have to provide for handicapped children of one sort or another; they need education, but they also need to have certain specialized education in addition to what the general population may have, in order to profit most from their educational careers.

Mr. MASTERS. Yes.

Mr. McCASKILL. I think we could say that unless we meet the most serious problems that are confronting us on a national basis that the problem of providing opportunity for education in the low-income family is going to intensify. It is going to become increasingly worse.

Now, I will agree wholeheartedly with both of the two previous speakers, that there must be a proper balance maintained between general education and vocational education. At the same time, we know that the period of general education has been gradually lengthened, and it is going to continue to be. I think that we should certainly recognize the fact that the junior college, particularly the local or district, public junior college, attempts to do something in that area. I believe it was in his informal remarks at the dedication of the new Air Force Academy that the President mentioned junior colleges, particularly junior colleges established at the local level, as being one means of providing for a broader extension of higher education.

Now we know that immediately after World War I a movement in education, generally referred to as the popularization of the high school, came about, and that is one reason for the rapid increase in high-school enrollments, and particularly high-school graduation.

Now, we have seen somewhat the same development with regard to college education since World War II. There is an interesting study that has just been released by the Association of Collegiate Registrars and Admissions Officers. It is entitled "The Impending Tidal Wave of Students." You may have seen that study. You may know that according to the study the prediction is that from approximately a third of the college-age group in attendance in college this year, the proportion by 1960 will have risen at the rate of about 1 percent per year, to 40 percent.

The study then projects what this increased proportion will mean in terms of the total college population by 1960. Now, we know that our colleges already are feeling the pressures of increased enrollments. I think that the junior college is going to have to expand in order to attempt to meet that need. I have had personal experience in the economies effected in expanding secondary education upward, and at the same time providing some of the advantages of a general college education through a local junior college, particularly one that conceives of itself as an institution that can also serve the adult in a community. Such a college enables the adults to keep in constant contact with the type of educational opportunity that helps them to

refresh themselves as they need to, and, if necessary, to acquire new education and new skills that will permit transfer into another occupation. I think there, Commissioner, is where one of the possible solutions of this rapid urbanization of youth will also come in.

In terms of immediacy, I think the 2d session of the 84th Congress has before it at least one measure that would begin to alleviate one of our critical problems. That is the classroom shortage. You know that there is a bill before the House now that bears the name of one of the members of this subcommittee, Congressman Kelley. Now, my organization believes that the Kelley bill, H. R. 7535, is an immediate step that can be taken by the Federal Government that will begin to do a little, at least, in increasing school construction at such a rate that we will begin to remove some of the most overcrowded, obsolete, and poor classroom facilities in the Nation.

Mr. BOLLING. Thank you.

Mr. ENSLEY, do you have some questions?

Mr. ENSLEY. Dr. Bray, I wonder if you wouldn't agree with me that during the last 25 years, the economic profession and economists generally have been occupied primarily with problems of short-run national income and production for full employment, for defense and for stability, and have, perhaps, given too little attention to problems that need to be solved in order to maximize total production and income over the longer run ahead.

Mr. BRAY. I am not the economist of the team that wrote the statement, but I am sure that Dr. Ginzberg shares that conviction wholeheartedly and he has felt that economists have attempted to give too little concern to the human resource factor in productivity.

Mr. ENSLEY. Economists, no doubt, have had a part to play in helping successfully to stabilize the economy at high levels during recent years. Now don't you think it is an opportune time for them to spend increasing attention to these problems of low-income families, distressed areas, education, and these subjects that they have tended to neglect in recent years?

Mr. BRAY. Yes, sir; I do.

Mr. ENSLEY. Now that we do have high levels of income, and have stabilized defense expenditures, which mean that with a growing economy defense outlays will require a declining percentage of our national production, should we not now consider the priority of related programs, to strengthen the economy for the long pull ahead. Perhaps expanded education should have a high priority?

Mr. BRAY. That is correct.

Mr. ENSLEY. Mr. Brownell, we have been hearing about the forthcoming White House Conference on Education, and wherever we have gone the last couple of years, people have been talking and working on presentations to this Conference.

What do you think is coming out of this conference by way of a report? Do you visualize a fairly positive action program for the administration, for the Congress, and for State and local governments?

Mr. BROWNELL. I suppose my answer should be yes to a number of things that you have said. I believe that this study and discussion has brought people to face up to facts that many of us have known for a long time with reference to education, but which many people had not realized. Many people had simply left the schools to the school

board and the school staff, paid their taxes, grumbled and, you know, let things go on. They see the new houses go up down the street, but they don't think of that in terms of just what it means to the schools; they may have heard about the fact there was a teacher shortage, but as long as their child had a teacher in the classroom it didn't affect them too much.

Now, we have had literally tens of thousands of people who have not known really what the situation was, and not only locally, but certainly on a statewide and national basis, who are now better informed. We have already seen that in many communities, folks have taken action. That has not been solely because of the conferences, but is a part of the whole picture. Many people have been working in other ways. The NEA for many years, the National Citizens Commission for Public Schools, PTA's—it is all a part of the whole.

The number of classrooms that have been built per year, steadily, every year, since about 1950, has been increasing by about 5,000 a year or more. That is because more people have been concerned, and it takes time to get a community ready to pass a bond issue.

There have been laws changed in sessions of the legislatures in the last year or two and part of that has been because of the sentiment that has grown up. Some of them we can trace directly to the fact that the State conferences have recognized that in order to do certain things in the State they had to change the laws.

Now we already know that the National School Board Association is sponsoring community conferences which will follow up to get more people involved on a lasting basis after the White House Conference.

One of the objects of the State conferences was to take a look at the State problem and to organize in such a way that an action program could develop in each of the States. Some States have gone much faster than others. In answer to your overall question, I envision that out of this much greater understanding of what the facts are, which is based on a very deep-seated concern of people for the education of children that is traditional, there will come action at the local level, at the State level, and if appropriate, at the Federal level, to move faster on the solution of our educational problems than we have in the past.

Mr. ENSLEY. Now, will there be at the White House Conference an opportunity to resolve some of these very difficult problems of financing and the relationship between the Federal and State and local authorities?

Mr. BROWNELL. You won't resolve a problem of that sort by having a volunteer group come together. They can express their opinion. You will have your grassroots indication. These people will have come from their State conferences and in reference to these problems they will report what has been the reaction in their State to these. You will have that brought together, and you will see the extent to which there is consensus and the extent to which there are divergent opinions.

The action has to come through our established channels; school boards, State legislatures, State governors, and on the Federal level, through the Congress and through the Office of Education and through the executive branch, where there are appropriate ways. The

action comes through these channels, on the basis of our legally established procedures, but you know and I know that the governors and the legislatures, the school boards and the Congress act on the basis of what they think is best for the people, as indicated by the expressions of the people. This will give the best opportunity that we have had, statewide and on a Federal level, to get the reaction of the people to these problems.

Mr. ENSLEY. Would you visualize that at the Federal Executive level the machinery is geared up and is ready to proceed to grind out a program for presentation to the next session of the Congress?

Mr. BROWNELL. Yes. I don't anticipate that all of the actions that may appropriately result on the Federal level will necessarily come out of this one session of Congress. I suspect that we will have as a result of the White House Conference actions that may come over several sessions of Congress. In other words, what the Committee proposes to do—and, of course, it is independent of the Office, though we are very closely in touch with it—is to submit a report in parts.

Mr. ENSLEY. This is the Presidential Committee?

Mr. BROWNELL. The Committee that was appointed by the President, the Committee on the White House Conference that is operating this program. They will provide, first, a compilation of reports of the State conferences. Each State agreed when it accepted funds to help carry on a State conference, that it would report to the Commissioner of Education the results of its State conference. Those are coming in and will be compiled into one part of the report that goes in to the President. Second, is the report of the conference itself; a report of what happens during the days that they are here. As you know, the way in which it is set up provides that every participant will have an opportunity to discuss each of the six topics in small groups, and that the report of the views of those individuals—not just the majority opinion, but the majority and minority opinion—will be summarized into a report of the Conference. Then there is a third part of the report which will be made up of the findings of study subcommittees that have been operating with educational consultants to prepare material for White House Conference consideration in these six different areas. They have rather extensive reports in each of these areas. The fourth will be the report of the Committee of 34 persons appointed by the President. After their staff has gone over all the materials, the Committee intends to present its own independent report, based on their experience and understanding. There will be a very comprehensive report, as you can see.

Then I anticipate that it will be the responsibility of the Office of Education to study carefully the entire report, and to take the initiative in proposing through the Secretary programs that would be appropriate. We have tried to anticipate certain of the things, as I indicated. We know that as a result of this White House Conference movement more people will want more information on more aspects of education, so we are proposing to increase our facilities for collecting and processing and disseminating that material. Things of that sort don't have to wait for the White House Conference, since we already recognized that they are properly called for.

Mr. ENSLEY. When do you expect the Commission will report?

Mr. BROWNELL. They are hoping to get their report completed as I understand it by the middle of January or the 1st of February. I think that is what they are shooting for as a target date.

Mr. ENSLEY. On another but somewhat related subject, we recently had some rather extensive hearings on automation and technological change, and the stream of witnesses, industrial, labor, professional, all expressed a great deal of concern about the implications of what is taking place in technology and in Russia to our educational program. It was brought out that Russia is turning out many more mathematicians, scientists, doctors, and so forth, than we are. Do you have any information on that subject?

Mr. BROWNELL. The three major areas in which we are proposing research programs, are: first, the conservation and development of human resources, second, housing and staffing the Nation's schools, and third, the educational implications of our advancing technology and expanding economy. Those are the 3 general areas, and 1 of the projects that we hope to get under way this next year has to do with what we started out calling automation in its relationship to training. We took out the word "automation" because we thought it was being used in so many different ways, and as you know from your hearings, that it is simply a part of a process that has been going on for a long time. In connection with that problem, however, we recognize that we need research, especially into its ramifications insofar as vocational education is concerned, and insofar as it may have impact on adult education, and on education of the aged. With the increased life span of individuals, there are possibilities of their greater productivity through automation, of their being able to continue on in ways that are satisfying to themselves, and useful to society. Prospects of this sort are showing up that heretofore have not been possible, and we set up a section on adult education and the aging in our office last year with one of its concerns being to work in that field. So I would say that we feel that the area you have just mentioned is one that we have got to give more attention to than we have in the past.

Mr. Ensley. An interesting aspect of the problem is the tendency toward more leisure time and the hope that people will be able to enjoy it productively and in a way it is beneficial to themselves and society as a whole.

Mr. BROWNELL. You know, all my life I have been hearing about this "more leisure time." I guess there is more leisure time, but it hasn't happened to come in my direction. Likewise, I have been hearing about this business that was mentioned a few moments ago in reference to a rising tide; I am old enough now so I can remember when people were concerned about the rising tide in secondary education, and wondering whether we could afford to look forward to having more than 50 percent of our youngsters of high-school age in high school. Somebody even dared to suggest that maybe someday all of the children would be going to high school. That was considered a revolutionary idea and people questioned whether we could afford it.

One thing that bothers me a little bit, in our discussion of this "tidal wave" in higher education, is that people talk about crisis, and they talk about a rising tide as if it were something frightening; and as though when we had gotten over the hump, we were going to go

down on the other side. I think most of us in the field of education are very much aware of the fact that this is an evolution, that it brings with it very important problems and opportunities, and that to the extent our economy advances, it is possible for us to finance it. But we are not looking forward to something that is a peak, but to something that stretches just as far ahead as we can see; there are probably going to be steady and continuing increases in the number of people going on to college, and we just have to plan accordingly.

Mr. ENSLEY. I think that is a very good point. It does have a bearing on Federal Government financial support for education. Over the past century, the Federal Government has actively supported education through land grants. During the 1930's there were huge Federal construction and NYA program beneficial to education. The training of 18 million men in the armed services during and since World War II has provided a reservoir of educational experience and training. Then there has been the GI bill with its education features.

These programs are tapering off now and unless the Federal Government retrogresses with respect to financial support for education, we must be in the position to step up in some way programs to offset the declines. I wonder if you have anything to say with respect to this general subject of Federal aid to education?

Mr. BROWNELL. Yes. I think I can just restate something that I have mentioned on a number of occasions. It goes back to the time when we were pointing to the need for the White House Conference on Education. The policies of the people in this country in reference to how they want to have their social enterprises supported and operated is one of the important policy decisions they have to make. It is the kind of thing that has so much significance that it should not be entered into without full understanding of what the advantages are and what the potential dangers are. If the people in this country decide that they want to have their education or any of the other social enterprises financed solely from State funds, solely from local funds, solely from Federal funds, or shared in one way or another, that is a policy decision which the legislative bodies must determine; and I think it is the position of the governmental agencies, the executive branch of the Government, to provide the fullest possible information to the Congress, and advise them on any proposals that are made along that line.

Since we have said this is something that ought to be considered very carefully by the States and by the people in the White House Conference, I think it would be inappropriate for me to take the platform at this time to say, "This is the position I think the Federal Government ought to take."

Mr. ENSLEY. Perhaps on one academic question, a political science question, don't you think that it is more than just the responsibility of the Congress—certainly it has to make the final decision, but under our Constitution, don't you think there is a responsibility of executive leadership?

Mr. BROWNELL. Yes. I think the executive agency always has to make its position clear, and that is the reason why you have had from the Department of Health, Education, and Welfare certain proposals that have been made at the previous Congress. There have been

proposals made at this Congress. I suppose they will be made as long as Congress exists. The executive branch of the Government should make its proposals according to what it thinks is the appropriate procedure to follow.

Mr. ENSLEY. Thank you. I am afraid I have taken too much time.

Mr. BOLLING. No; that is fine.

Miss Snyder.

Miss SNYDER. If I may, Mr. Chairman, I would like to address a general question to the panel, getting back to problems of rural areas, and inequality of educational opportunities available to children particularly in rural low-income areas.

Isn't it true that they are disadvantaged to start with because the income level of the communities is low? Therefore, the communities' resources for building schools, maintaining schools, and paying teachers' salaries—the average salary varies substantially between States, and I think in the lowest State, Mississippi, goes down, I think, to about \$1,600, up to an average of about \$3,500; is that right, Mr. McCaskill?

Mr. McCASKILL. I think that is about right.

Miss SNYDER. The question is what can the Federal Government do to try to improve the quality of schooling available in the areas where it is admittedly pretty low? Mr. Bray?

Mr. BRAY. That is correct, and that is exactly why we recommended that Federal funds be granted to States, which are making an effort to provide education, by taxing at least at the same rate as the national average, but where the yield from taxes is less per child of school age than the national average. We believe that the Federal Government should to that extent provide Federal financial support for education.

Miss SNYDER. Mr. Brownell?

Mr. BROWNELL. I was going to say I think you have to look at this from both an immediate and long-range standpoint. In the long-range approach, I would say that anything that the Federal Government does to improve total social and economic conditions—to ameliorate the social and economic conditions that bring about low income—is the fundamental factor. If you can get rid of low income then the people can take care of their education.

Now, the problem that the Federal Government, I think, always has to face—and it is a problem the State government has to face too—is how it can deal with the immediate problem in such a way that it does not reduce the efforts toward that long-range goal.

I do not know whether I make myself clear or not. In other words, we may recognize that there has been going on in this country over a number of years a very decided improvement in the economic conditions in certain areas, brought about by the decentralization of some of our industries, and influences of that sort. That puts more localities in a position where they can provide desirable living conditions—not only education but all living conditions—through their own efforts. But in the meantime we have children who are growing up, and if we do not do something promptly about improved education, we have a lost generation, as some people say, of people who have been deprived of those opportunities.

Now, what we have to do, as I see it, in terms of the relationship of the Federal Government, State government, and the local govern-

ment, is to decide how we are going to share the utilization of our resources, financial and otherwise, in reference to education and other social enterprises. You get one group of people who say "All right, let us have the Federal Government take over many kinds of activities other than education so that local resources will be available to do a better job on education;" and you have another group who say "Let the Federal Government step in and provide the education because people are going to provide the other resources from their local taxation."

That is plainly a policy question, and it has to be faced up to. All you have to do is get about two people together and you can get an argument on that.

Miss SNYDER. Isn't it true that low-income States, and particularly rural areas that are characterized by greater out migration, are economically penalized by the fact that although they are putting forth a fairly tremendous investment, through their expenditures on education but then many of the children migrate to the State after they have completed their schooling. The State in this direct sense thus gets no return on its investment?

Mr. BROWNELL. I suppose that is true.

Miss SNYDER. Is this a justification for Federal aid to education?

Mr. BROWNELL. I am going to make this comment on that question: I think you can argue as to whether or not a parent is benefitted by what he puts into the education of his child if his child leaves home. It is really a question of values here as to where we want to put our money, individually or socially; whether we consider whatever we do to improve the individual a good investment for any or all of us.

Mr. BOLLING. I have the impression that Mr. Masters wants to make a comment, and perhaps Mr. McCaskill.

Mr. MASTERS. I would hate to leave this Conference here, as important as secondary and elementary schools are, and I subscribe to this, but with the increased amount of pressure to take care of the problem of this increased population, and the fact that we are behind with shortage of teachers, etc., there is a tendency to do less and less at many points for the adult and the adult is the one in the long run that makes these changes in policy. He is the productive unit, and he is the one that we can get, in my opinion, the greatest return on immediately if we could concentrate some short course directly to him.

I also want to put this proposition, that it is not entirely vocational that we are concerned about. We are concerned with the education of the adult to do a better job as a school board member, or as a hospital board member, or as the various boards and enterprises that he serves on, and the lower income group, I suspect, are absent from civic responsibility in many places, with basic policy. They are absent in their participation in the civic responsibilities, and if we really feel that we want these people to share in this whole process we must aim some continuing kind of adult education at them, and while we were talking about the problem here of automation, it seems to me that automation makes a new kind of demand on education. It calls for an individual that can do more than push buttons, an individual that is accustomed to using data, an individual who is accustomed to making judgment decisions. This is the kind of thing that makes a new demand upon education, rather than just straight mechanical skills.

This is the kind of thing that will require retraining from time to time.

I would make a strong plea, yes, we have got the public schools to do, but we have also got to consider the active and vigorous planning of a program for all kinds of adult groups.

Mr. ENSLEY. What would be your recommendation as to how that could be furthered? You mentioned the need for additional funds for general extension services?

Mr. MASTERS. I think one quick way would be to provide some Federal support on the pattern similar to agricultural extension for general extension service. In our State last year we served approximately 40,000 different people with some kind of a general extension activity, and all but 10 percent of that money comes from other sources than tax funds.

Mr. ENSLEY. Would you suggest increased Federal financial assistance for a broader program?

Mr. MASTERS. Yes. We have demonstrated to ourselves how well it works for rural people. Why not apply that same principle to the urban and to the small-town area and to the merchant, and the white-collar worker, and to the person that is not an agricultural worker.

Mr. ENSLEY. Thank you.

Mr. McCASKILL. This is directed toward the question that Miss Synder asked.

It is quite true that there is considerable imbalance in educational opportunities as between rural and urban areas of the country.

You mentioned Mississippi as the lowest per capita income State, according to Census Bureau figures, but I think you will find that in certain urban centers, in Mississippi, that the educational opportunity compares favorably with any city of its size in the country.

On the other hand, you will find in some of the wealthier States rural areas in which the educational opportunity is just as inadequate as it is in a comparable rural area in Mississippi.

Now, this is the important point I think that ought to be made now, that we should not conceive of dealing with the low-income family, particularly in terms of Federal assistance in providing education opportunity for the children of low-income families, as such. You mentioned a little while ago that the Federal Government was in education up to its neck, and, of course, there is a long history there, but originally the Federal Government's interest was in the common schools, in the development of the common schools, and that continued for almost a century after the early land grants in 1785.

Now, at that time there was a rather significant change that took place, and of the 57 major congressional enactments between 1785 or 1787 and 1953 only 8 of them were enactments that were designed to improve the common schools of the country, because about 1862, when the Morrill Land Grant Act was passed, the Federal Government, particularly the Congress, began to show an interest in specific educational programs. Now, I think that the Commissioner will admit that in practically every instance where they did that the programs that developed out of that legislation did not decrease the support of the local communities or the States in those particular areas. It increased the support. It provided initiative for them to expand their programs, but I think that if we were to conceive, either of Federal

assistance in an attempt to deal wholly with the problem of education of low-income families, or at the higher educational level, if we conceive of scholarships and fellowships, only in those scarce areas, only in the areas of professional and scientific manpower where we have these shortages, that we would be tending to unbalance our whole educational program, and we would lose sight of the picture of total education that has got to move forward in this country if we are able to maintain our present position of world prominence.

Mr. ENSLEY. Could I ask just one more question? What do you conceive to be the responsibility of the Federal Government now? Can we, with our position of world leadership, and with East-West problems, with national security, and the like, leave these to be resolved at State and local levels?

Mr. McCASKILL. I dislike very much the term "Federal aid to education." I think we have just as much reason to talk about local aid to education. I conceive of the education of our youth, particularly through this period of general education that must be common to all of our youth, as a responsibility that should be supported by the local level, yes, shared by the State level, yes, and also shared by the Federal level, and I think the day will come when the Federal Government will assume its rightful share of the responsibility for the education of all the youth in this country.

Mr. BOLLING. I would like to say something at this point. I was very much interested by one of the sets of figures that Mr. McCaskill used in demonstrating our progress. They appear on page 2 of your statement.

Graduates of the year 1950, both public and private high schools, numbered more than half of the 17-year-old population. The number rose from 94,883—6.4 percent of the 17-year-old population of the Nation in 1900—to 1.2 million over the intervening 50 years. To me, far from being a figure that is ground for satisfaction, I am sure that Mr. McCaskill will share my view, this is a terrifying figure, a literally terrifying figure—that only that percentage graduated from high school—in objective terms, and, very simply in terms of national defense, if we want to use our human resources.

I do not want to enter into the discussion of how and what at this particular time. I am very, very sure that the problem that we face is a terrifying and extremely critical problem, and it seems to me that we are perhaps a little bit beyond the time for action. Action is long overdue, it seems to me.

Miss SNYDER. Mr. Brownell, do you have any figures, any evidence, that any significant proportion of yearly dropouts from school is due to economic necessity? Do children feel that they have to help support the family?

Mr. BROWNELL. Yes. There are studies along that line. I am sorry that I cannot just dig down through here and give you the information on that at this moment.

The studies that have been made along that line, however, as Dr. Bray has testified, show that the primary reason for dropout is not financial. It is one of the reasons, but it is not the primary one. One of the ten research projects that we hope to get underway next year has to do with the retention of students in schools. We know that there are a lot of children from very meager financial backgrounds

who go on and continue on in schools. We know that there are many students who have good economic backgrounds, who drop out of school.

Now, since we have found out, in some of the dropout studies, that finance is not by any means the largest reason why students drop out before they have gone as far as their ability would indicate they could profit from school, we feel that we need to dig into that area just as thoroughly as we need to dig into the area of what causes cancer, to see if we cannot find out, not only what causes dropouts, but what you do to keep these able students on in school longer than at the present time. Finance is one reason, but not the major reason.

Mr. McCASKILL. I think, though, that if you took the dropout studies on the basis of low-income families you would find that the low family income, and the accompanying conditions, was the major reason for dropout. Isn't that true?

Mr. BROWNELL. Yes, I think I indicated that in my statement, that there are reasons which are associated with low income. It is that vicious circle business, altogether.

Mr. McCASKILL. If you confined your dropout studies to the low-income group you would find that far exceeds the others.

One of the factors involved there—and this is one that I think the Federal Government did attempt to do something about in the depression years, when it created its out-of-school youth work program, following the National Youth Administration's student program work—was that the student has to assist in supporting the family, and, frequently, that brings about the ultimate dropout from schools.

Miss SNYDER. I think that is probably particularly true for children from broken families who have been receiving support from the aid-for-dependent-children program. Are the studies you referred to based on questions asked to children themselves, Mr. Brownell?

Mr. BROWNELL. There are a number of kinds of studies that have been made along that line on dropouts. A number of them have been based on statements from children. Others have been studies that high schools have made where they follow up the individual after he has dropped out to see to what the student and the family attribute the drop. They ask why it is the person left school, and many of the studies of that sort simply take the reason given by the individual.

Well, there have been some studies that have gone beyond that, to find other reasons. Very frequently, for instance, the student would say he had to drop out because he could not afford to stay at school. Then when they began to analyze the situation they find out that the student was having trouble with his grades, or he was having some other kind of trouble, and that it would appear that saying they could not afford to stay in school was a convenient excuse.

In other cases, individuals would say they were having trouble with their school work, and when the researchers dug into it they found out that really the youngster felt he needed to contribute to the family income. Therefore, to say which is the cause, and which is the effect, is a little difficult. I mean it is a complex that involves all of these factors that we have noticed. This child drops out more easily because there is not the tradition of staying on in school in his family that there is in the family across the street. Very frequently, for instance, you find out that some one person in the family, perhaps a mother in

the family, in her driving desire to have the children get education, will overcome obstacles of finance and of opposition on the part of the other parent, and many of these other pressures that cause children to drop out of school, so that when we interpret all of these studies about dropouts we have to recognize that there are limitations to the information that they have secured.

But I still would go back to say that there isn't any question but what low income is an important consideration in dropouts as a contributory factor.

Miss SNYDER. Mr. McCaskill, I have noticed that in the last page of your paper you refer to the question of Federal scholarships. There are quite a few bills on this point now pending before Congress.

Do you think that the Federal Government should provide direct aid to individuals in terms of a scholarship, or a loan program?

Mr. McCASKILL. Yes, I do. I believe that they should. I happen to be reasonably familiar with the bills that are pending before Congress now. I would not say that there is a single bill pending before Congress that is at all adequate. In the first place, most of those bills, I believe, propose what we refer to as categorical scholarship grants, and they are directed mainly at the manpower shortage areas.

There are really three types: Ones that propose scholarship loans, which are not needed to any great extent now; bills that would propose some sort of indirect scholarship through provision of a tax deduction, or a tax exemption for the parent, for the college tuition of the student; and then scholarship grants in such specialized fields as science and engineering.

Now, I think that to be of real benefit, particularly to the high ability-student in the low-income group, that your scholarship- and fellowship-grants program on a national basis would have to be, as I indicated in my prepared statement, certainly of the extent of the GI program after World War II.

Now, it is true that I think that we have to look at these problems incident to the impending tidal wave of enrollment, as the registrars refer to it, as a long-term trend; but at the same time I think we have to realize that even with a scholarship program it is going to be difficult to get the high-ability student from the low-income group into the institution where he will profit most from his educational opportunity.

Miss SNYDER. You would recommend a scholarship program meaning an outright grant, or would you recommend a loan program?

Mr. McCASKILL. A grant program is what you would have to have to do any good. The Commissioner would be more competent to comment on this than I would, but I think it is generally true that there are many student-loan programs that are not being used to the maximum extent at the present time at all.

Mr. BOLLING. Mr. Bray, I am sure, will have some comment on that, perhaps an expansion of his statement already made.

Mr. BRAY. I would like to say two things: One, that there is a great deal of private activity now in the matter of college scholarships, and one always has to consider the possibility that Federal scholarships in that area would tend to hinder private activity, and, secondly, I think a very important point for this subcommittee, or any committee considering educational problems, is the fact that the socioeconomic

level and ability are highly related. That is, the low-income person has by the time he is of college age seriously suffered in his development of his ability, including his score on standard intelligence tests, Armed Forces qualification tests, selective-service college qualification tests, and so forth, so because of these factors there are just not a very large number of high-ability people in the low-income groups, if you use the words "low income" in extreme sense. I participated in a study for the national scholarship and service fund for Negro students to find out how many high-school graduates from segregated high schools have the ability, as measured by standard tests, to enter a good college. Even though the standard of ability we used was very low—we took a very liberal interpretation—we found that in all of the segregated high schools in the country, in which there were about 45,000 graduates a year, there were only about 1,200 to 1,500 who would be considered able and ready to enter a good college. So one is misled if one thinks of ability for college as spread evenly throughout the population, and that by granting scholarships to low-income groups they thereupon enter college.

Mr. BOLLING. Say those figures again so I could be sure I understand. You say 45,000, 1,200 to 1,500?

Mr. BRAY. Out of 45,000 approximately twelve to fifteen hundred could, even stretching the point, be considered ready for a good college.

Mr. BOLLING. Mr. McCaskill, I gather you want to say something, but, when you do, I would like to know where you put the scholarship business programs in the priority list.

Mr. McCASKILL. I will be glad to do that.

One reason I emphasize that the scholarship program should be at least of the extent of the GI bill programs, is because GI education was not confined to the upper levels of education by any means. As we know, under the World War II GI bill program there were many GI's who went all the way back to elementary school to catch up their education. The same opportunity is needed nationally, and it is certainly going to be true until we end segregated schools everywhere in the country. We are going to have to try to find the Negro youth—there are many capable ones and they have little opportunity in many instances—the very capable Negro youth, let him get an adequate elementary education or adequate high school education, and after he acquires that give him an opportunity to go on and get a college education.

Now, in a priority setup I would put the most immediate need as your school construction bill. That is really just the beginning of an attempt to eliminate that need. It would result in a great increase in the number of school buildings, I think, even though it is true that over the last several years there has been a marked increase in the rate of school construction over the country, which now probably exceeds two and a quarter billion dollars per year. At the same time, I am inclined to put as the next priority the proposal that Beardsley Ruml made in his report about a year ago to the National Citizens for Public Schools; namely, a flat grant per eligible child, not based on need but based on the number of educable children, so that the Federal Government shares in the support of public education in this country. I would put that as the No. 2 priority. I think then we could see what kind of scholarship program would be most applicable,

but I think you have got to support education in this country with, as Senator Taft used to say, a floor, below which no student's educational opportunity drops in this country. That is the nearest we can approach the ideal of equality of educational opportunity.

Mr. BOLLING. Thank you.

Miss Snyder?

MISS SNYDER. Mr. Brownell, I have a question about vocational educational programs. What is the explanation of the fact that enrollments in the agricultural programs increased substantially between 1918 to 1953, I think that is the latest date available, while enrollments in the trade and technical industrial programs increased substantially less. I think it is a ratio of about 50 to 8.

Mr. BROWNELL. I wish I could give you a good answer on that. That is one of the questions I have been trying to get an answer to since I came to the Office of Education.

MISS SNYDER. This occurred while there was net migration from rural to urban areas.

Mr. BROWNELL. I think there are a number of reasons, but I am not sure enough myself to want to go on record as saying what I think are the essential reasons. I think one of the reasons is that the vocational agricultural program has been carried on over a longer period of time; in some ways it has been tied in with the development of our agricultural extension, etc. I think there are some other factors in this that we must study more thoroughly before I can give you a proper answer.

I have been concerned with one thing. As I look at the distribution of occupations in this country and where the growth is, I find that the service occupations are increasing rapidly, and yet we had a ceiling on the amount of money that could be spent on vocational education for the distributive occupations. However, we got some assistance on that from the Congress this last time, so that I think we can move into that area to increase that materially.

I think another thing that we are working on that is important in vocational education is to free up the restrictions that have somehow or another developed, so that we can get States to develop the program in terms of the vocational needs of those States a little more than has been true in the past. There are certain States, for instance, where much more needs to be done in connection with trade and industrial training.

They have felt, I think, more or less bound by the four categories in the programs that were established, to continue on in a pattern like that. How we can help them to be a little more flexible in terms of changing vocational needs, is, I think, a responsibility of the Office of Education that we will just have to work on.

Mr. McCASKILL. May I offer a nonexpert opinion on that, Miss Snyder? I think one of the reasons why your vocational agriculture program has grown the way it has is because of the appeal that it has, not only to the farmer, but to the rural youth, and it is a very important thing, because he sees a direct relationship between what he gets in vocational agriculture, to what he is doing on the farm. When he is able to learn in vocational agriculture that he can show a grand champion steer in his 4-H Club show, or something comparable to that, he is going in for it. It is simple when you look at the appropria-

tions hearings when a vocational appropriation is up and see that it is not your vocational agricultural teachers or supervisors of vocational agriculture that appear to support that; it is farmers mainly, and you will find a few small-town bankers mixed in who come up here to support that program.

Mr. BROWNELL. The thing I can't quite understand and haven't been able to run down yet is why there isn't the same appeal in our other vocational educational programs.

Mr. McCASKILL. You will find it in some areas, just as intensively operating, in trade and industry and particularly in the diversified occupations. I think one of the big contributions that the vocational program has made in the urban centers is the development of the whole diversified occupations of work there, because that has enabled the city youth to get something comparable to what the rural youth gets in vocational agriculture.

Mr. BOLLING. Gentlemen, I want to express our very deep appreciation to you all for your time and your very substantial contribution. I would like to particularly express my thanks to Commissioner Brownell for coming up and engaging in this panel discussion. I recognize that that is a very real contribution. We are deeply appreciative.

At this point I will declare the subcommittee adjourned.

Mr. BROWNELL. I want to tell you I appreciate this opportunity. I think that any time we have a chance to participate in anything that may make some contribution to education, you are likely to find us accepting the invitation.

(Whereupon, at 12:25 p. m., the subcommittee adjourned, to reconvene at 10 a. m., Monday, November 21, 1955.)

LOW-INCOME FAMILIES

MONDAY, NOVEMBER 21, 1955

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON LOW-INCOME FAMILIES,
JOINT COMMITTEE ON THE ECONOMIC REPORT,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. John Sparkman (chairman of the subcommittee) presiding.

Present: Senator Sparkman, Senator Ralph E. Flanders.

Also present: Grover W. Ensley, staff director, and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Let the subcommittee come to order, please.

One of the most urgent and pressing problems facing our national economy today is the existence of a good many rural areas characterized by low levels of productivity and income.

The Department of Agriculture in its excellent report, *Development of Agriculture's Human Resources*, presented some figures which show that of the total of about five and a half million farm-operator families in 1950, one and a half million had cash incomes under \$1,000; many of these low-income farmers are located on small farms and are concentrated in specified sections of the country. The Department's report states:

There are nearly a thousand counties in the United States where more than half of the farmers are mainly dependent on the income from small, poorly paying farms. What they are up against, in innumerable cases, is lack of enough good land, lack of equipment, lack of credit facilities, and often lack of the management information and skill which might open wider opportunity to them.

The Congress, the administration, and many other groups and individuals concerned over this state of affairs are studying ways and means of improving the economic status of these farmers. Pending before the 84th Congress are bills specifically designed to aid this group.

I may say with some pride that one of those bills is one that I introduced, and I believe seeks to strike at this very problem.

I very much hope that these hearings will contribute to our knowledge of the scope of these problems and will provide new insights as to how these areas, and the families living there, can best be aided. The family farm in the past has contributed enormously to the economic growth of our country and to the preservation and strengthening of our democratic institutions. Its role in our national life has been an important one, and must be continued.

The program of both this morning's and afternoon's sessions is focused on the problems associated with the continued existence of these geographic pockets of economic depression.

We are indeed honored to welcome our first witness, the Under Secretary of Agriculture, Mr. Morse. We had invited the Secretary, Mr. Benson, to be with us this morning and discuss, in particular, the rural development program to aid low-income farmers. Mr. Morse had originally planned to participate in this afternoon's panel discussion on the broader aspects of the problems of rehabilitation of depressed rural areas. Urgent duties elsewhere unfortunately have prevented Mr. Benson from joining us today, and therefore Mr. Morse kindly offered to appear in the Secretary's place this morning. Let me note that Mr. Morse will not be present at the afternoon session. Mr. Morse, we are glad you are with us today. Would you like to proceed?

STATEMENT OF TRUE D. MORSE, UNDER SECRETARY OF AGRICULTURE

Mr. MORSE. Thank you, Mr. Chairman, and the committee.

The Secretary would want me to express his deep appreciation for being relieved of coming before the subcommittee and permitting me to appear for him. We have a special meeting of our National Agricultural Advisory Commission called for today and tomorrow. It is very urgent that he be with them, along with other pressing duties to which you have referred.

I would like to present first the statement that I had planned to use this afternoon, and lead into the subject that was originally set for this morning. This first statement has to do with rehabilitation of depressed rural areas.

Rehabilitation in areas of low rural income calls for lasting adjustments that must take place gradually over a long period of time.

There are two objectives in making these adjustments: better agriculture in the area and more off-farm job opportunities. These objectives are not mutually exclusive. The nationwide shift from an agricultural to an industrial society has increased the demand for workers in industry. At the same time, technical developments in farm production have made possible larger farms, improved practices, and new ways of farming in many areas. Mechanization and new techniques on farms has lessened the need for farm workers. The economic growth of this Nation is based on increased farm efficiency, which has freed millions of workers for the production of factory goods.

The challenge in areas of low farm income is to help farm people adjust to changing conditions. Those who want to stay in farming should be helped to improve their operations; those who want to supplement their income with off-farm work or to work in cities should have reasonable opportunity to do so. The younger people especially should be assisted in making this transition.

Low-income problems of farm families and rural areas must be attacked on a broad front:

1. Farm incomes must be increased, the land made more productive, and soils built up in fertility. There must be more and better livestock and poultry.

This increased productivity will pay off in many ways: reduced family living costs, better nourished families with stronger bodies and improved health, and more cash income.

2. More efficient sized farms will often be needed.

3. Farm timber is a neglected opportunity on most low-income farms. In many communities one-half or more of the land is in timber, producing very little income. Land should be put to its most constructive use.

4. Credit needs for small farmers and part-time farmers must be met.

5. Industries need to be expanded in areas of underemployed rural people. This will receive more and more encouragement in the interest of national defense and greater industrial strength and stability. Industrial expansion will increase where people can live on small farms and work full or part time in factories.

6. There must be more adequate vocational training for young people. A higher level of skills and technical ability is urgently needed for our rapidly developing industrial era, for farms, industry, and defense.

Developing the human resources of our rural areas will bring more prosperity to members of the families living on low-income farms.

7. Job opportunities must be made known to more low-income farm families.

8. Health and nutritional needs must be more adequately met. This is especially important for young people. Whether the young people remain on the farm or go to our cities and industrial centers, too often their health has been impaired because diets were inadequate, or because there were no doctors or too few doctors, dentists, and clinics where they grew to young womanhood and young manhood.

9. Character, morals, and religious quality of our future workers and leadership must be strengthened. Unless our future citizens get religious training as children and young people there is less chance of making them strong moral leaders as they grow older or move to cities. There is a big job for churches as part of this total program.

10. Community and trade development programs have already pointed the way to more farm prosperity and better living in many areas. They stand as monuments to strong and constructive local leadership.

Aggressive farm, business, civic, and other leadership must team up in local efforts to aid in increasing the incomes of small farmers and raising their educational and living standards.

Our recommendations for a rural development program are based on these principles and on the experience of the past in certain rural areas that have changed their economic potential into economic reality. The program is an attempt to bring about widespread community development based on experience and using the catalyst of cooperative Federal-State services to the people.

Then going into a discussion of the rural development program, Mr. Chairman, and members of the subcommittee, I am grateful for the opportunity to testify on a subject that has been one of my main concerns in the past 3 years. There are large numbers of rural people

with incomes so low they cannot afford the goods and services most of us take for granted. Many of them need special assistance if they are to improve their standard of living.

The poverty existing among some of our people, in good times and bad, has a weakening effect on the entire Nation. Production lost because of lack of education and skills, poor health, and insufficient employment, can never be recovered. It is gone for good. The social conditions arising from low production and low incomes often generate an apathetic attitude. Community, educational, religious, and civic affairs suffer. Confronted with the overwhelming handicaps of chronic poverty, many people with very low incomes see no possibility of improvement using the inadequate resources and few opportunities available to them.

The development of agriculture's human resources is one of this Nation's most important economic and social problems. Very low incomes, that is, incomes in the range of less than \$1,000 a year, are concentrated in agriculture. Less than one-fifth of the farmers in areas of low rural income produced and sold \$2,500 worth of products in 1949. Investment in land and buildings is only about one-third of what it is elsewhere. Average schooling of adults on farms is 7 years. There are few outside jobs, and little use of machinery on low-income farms.

I am happy to testify, however, that the picture has a bright side. Dedicated agricultural workers in the States, and leaders in many rural communities, who know at first hand the damaging effect of low incomes on individuals and families, are working energetically to overcome conditions that produce low incomes. In cooperation with the Department of Agriculture and other Federal departments, State, and local agricultural leaders are encouraging small farmers to better their operations. They are conducting research on problems of small farm production and living. They have initiated programs of community improvement to raise the economic level of entire areas.

We in American agriculture are in a particularly good position to give testimony before this subcommittee. An organized, long-term program has been started to raise standards of living in rural areas of low income. This rural development program has met with immediate and enthusiastic response.

I am glad to report important progress is being made on this program. There is widespread interest and activity. Over 27 States have reported long-term rural development type work or plans for special programs. In 8 States there have been a total of 17 pilot counties designated. An additional nine States are planning to identify areas for pilot programs. This is most encouraging and shows the determination of State and local leaders to move forward.

This is clearly a program to benefit primarily the family type farm. It is proposed, as President Eisenhower said—

to open wider the doors of opportunity for the good of our country and all our people.

I intend to devote the rest of my discussion this morning to the rural development program, how it was developed, what is being done at present, and our expectations for its success. All of us who are working for improved standards of living in rural and urban areas should profit from a discussion of this program because it is an out-

standing example of a concerted attack on the causes of low living standards.

Mr. Chairman, if we may, the rest of this statement can go into the record.

I would merely call attention to the fact that there are before you four issues of the Department of Agriculture Rural Development Program News, in which we attempt to get before all of the people who are working on this program the developments of the program as it takes place. There were 2 issues in August, 1 in September, and the other, I believe, in early November, and then a working guide to Federal Government Services is a fifth item here. This last item has not had general distribution. It is to go into the hands of the leadership in the States and in the areas where these pilot operations are being set up. You will notice that it shows in brief the work and services which the Department of Health, Education, and Welfare is ready to give. The Department of Labor, the Department of Commerce, and then under the heading "Department of Agriculture" the various agencies in the Department that are most directly effective and which are active on this program, and, finally, the Farm Credit Administration which is actively cooperating.

(The material referred to is as follows:)

RURAL DEVELOPMENT NEWS

United States Department of Agriculture, Washington D. C.

August 1955

NEWSLETTER WILL REPORT RDP PROGRESS

This is the first issue of a newsletter on progress in the rural development program, aim of which is to open wider the doors of opportunity for more farm families. It is written for community, government, and agricultural leaders who are taking part in the program and for the members of interested organizations, representatives of news media, and private citizens who want to keep informed about what is being done.

The newsletter will contain information and ideas important to the people whose efforts will make the rural development program succeed. It should act both as a channel of communication and a means of coordinating a widespread program in which many people take part.

The letter will appear as developments in the program warrant. The Department would like to hear from those who have items of interest to others in the field of rural development, or who wish to comment on the material they find here.

ACTION TO DATE

Late in April, Secretary of Agriculture Benson sent his report, the Development of Agriculture's Human Resources, to the President with a series of recommendations for improving incomes and living standards in low-income rural areas. He presented a picture of the hardship and privation suffered by many families because of inadequate incomes. He pointed out that in 1950 about 1.5 million farm families had cash incomes from all sources of less than \$1,000, and that there are "nearly a thousand counties in the United States where more than half of the farmers are mainly dependent on the income from small, poorly paying farms."

Secretary Benson's recommendations call for increased credit, extension, and technical aid for these small farmers; special research; better education and training for their children; more industrial development in the areas they live in; and the maximum of local initiative and control. He recommended pilot operations in 50 of the 1,000 counties in fiscal year 1956 in order to gain experience for a broadened program.

Since the Secretary's report and recommendations went to the President, the following major actions have been taken:

1. Secretary Benson named Under Secretary True D. Morse as the major Department official responsible for coordination of the program.
2. A committee was formed within the Department with representatives from all agencies directly concerned in the program.
3. An interdepartmental Rural Development Committee was formed consisting of the Under Secretaries and Assistant Secretaries of the Departments of Health, Education, and Welfare; Labor; Commerce; and Agriculture.
4. A bill was passed by Congress to authorize concentrating certain funds for cooperative extension work in areas of low-income farmers.
5. Bills were introduced in the House and the Senate to amend the Bankhead-Jones Farm Tenant Act to permit making loans to part-time farmers. Congress did not act on this legislation.
6. Representatives of the Department of Agriculture and other Federal departments met in Memphis June 7 and 8, with representatives from the land-grant colleges and universities of 28 States to discuss the rural development program.
7. The deans of agricultural colleges have been asked to outline procedures they plan to use in moving forward with the program. Additional meetings are being called to firm-up State plans.
8. The Southeastern County Development Association met July 20-22. Under Secretary Morse in addressing the meeting said, "Our Nation is deeply indebted to the constructive leadership which has been pressing forward with area-development programs. You have pioneered—and shown the way to more prosperity and a fuller life. Now we must challenge the leadership in all areas to become more effective in projecting programs ahead—and then move more vigorously toward new and higher goals."

APPROPRIATIONS

Congress was asked to appropriate \$3 million for work with low-income farmers and to provide \$30 million in lending authority for the Farmers' Home Administration for loans to small farmers and part-time farmers.

On June 21, Under Secretary Morse testified on the proposed program before the House subcommittee. "The modesty of our request," he said, "is not a measure of the size of the problem. Neither is it attributable to a lack of zeal in its solution. * * * The rural development program has in it a substantial element of pioneering and should provide for some scouting before a full-scale project is undertaken. We wish to avoid the errors that come from expanding too rapidly on the basis of limited experience. * * *"

The House Appropriations Committee recommended passage of the proposals submitted by the Department—but floor action took out funds totaling \$380,000 for some research activities—and took out all of the \$30 million of lending authority.

Thus, funds totaling \$2,620,000 for research, education, and administrative work in behalf of low-income farmers were approved by the House. But, in the Senate only authority to increase Farmers' Home Administration production and subsistence loans by \$15 million was approved along with \$350,000 to administer the additional FHA loan activities. Only the two FHA funds were passed by Congress and are available.

No money was appropriated for the special extension, research, soil conservation, marketing, and information services—nor for the proposed 50 pilot operations.

An appropriation of \$1,350,000, requested for the Bureau of Employment Security of the Department of Labor to strengthen that agency's facilities for assisting low-income and part-time farmers in securing available employment opportunities, was also denied by Congress.

PILOT PROGRAMS

As a key part of the work for this year, Secretary Benson recommended "the launching of pilot operations in not less than 50 of the 1,000 low-income counties * * *"

"Thus practical experience can be gained in a limited number of areas, and those elements of the program which proved most successful can be utilized as the program is broadened. In the pilot operations, efforts will be made to

develop the best practical program of action, having in mind the people, the resources, and the whole range of opportunities."

Since no funds were appropriated to finance this special work the original recommendation cannot be fully carried out.

At the Memphis meeting some State leaders said they would carry forward pilot operations regardless of whether additional funds were available. It is the hope that there will be many such programs carried forward within the limits of local resources and funds already available.

The FHA will be able to cooperate with such efforts with the assistance of the \$15 million additional funds provided for production and subsistence loans.

VOCATIONAL TRAINING

Another part of the program is: "Request the Department of Health, Education, and Welfare to encourage the States to expand vocational training in areas of low income, instituting as many as 12 pilot operations during the school term starting in the fall of 1955 in order to gain experience needed for broad expansion of this extremely vital part of the total program."

This calls for State and local action. Doors must be opened for youth of low-income farm families to get more vocational training. Without this opportunity they start life with a handicap which may never be overcome. Industries and businesses are penalized for lack of well-trained workers—and the whole Nation suffers along with the local communities.

We are a great industrial Nation—86.5 percent of the people are not on farms. As youths move into the offices and factories of the Nation, they must be better educated and have training in trades and skills.

An executive of a large company reported that in seeking a location for a new factory, "we turned our search to communities which had not yet been industrially developed, but which offered good vocational training which would assist us in developing the needed skills."

A new school year is just ahead

The leadership of every community should review the extent to which their schools will this year be doing a better job of giving youth the training needed in our mechanized and largely industrial Nation. The question should be asked, "Will our vocational training help attract industries—or cause us to be passed by?"

Whether youths remain on farms or leave for other employment—they need more vocational training.

ORGANIZING FOR THE PROGRAM

At the Memphis conference, a working group discussed the kind of organization that would permit effective coordination of the rural-development program and encourage action.

The 2 committees at the Federal level, 1 within the Department of Agriculture and 1 of representatives from Federal departments concerned in the program, will continue to function.

It was suggested that each State set up a committee of agencies servicing agriculture to coordinate operations and advice on them. The dean of the school of agriculture of the land-grant college or the person to whom the directors of extension and the experiment station report would take the lead. As first action, he might call together representatives of agencies or organizations that can contribute to the program. These representatives would elect officers and expand membership in the committee to include other organizations, if necessary.

The Memphis working group suggested that these State advisory committees might help in the determination of leadership in the county programs. The county leader would arrange for a meeting of representatives of local agencies and organizations.

Instead of describing detailed methods of coordinating the Federal, State, and local phases of the rural-development program, the Memphis working group cited three basic concepts: Local people should take the initiative in making decisions. The agency people should fit their operations to the actions of local groups. There should be broad general understanding of the role of each agency in this program.

LOCAL LEADERS COMMENT

Since information on the proposed rural-development program was made public, many local leaders have written to Members of Congress and to Secretary Benson and Under Secretary Morse about the program and the need in their communities for the kind of cooperative effort described. Here are some excerpts from typical letters:

The executive vice president of a community development association in West Virginia—"Your new plan is down the center line of exactly what we have been striving to do for the part-time farmers in this distress labor area * * *. One of our objectives is to achieve a pooling of resources in particular areas so such farmers can manage the equipment and fertilization necessary to build them up into satisfactory profits. All this is tied in with an overall land-use plan for the county."

A school superintendent in Arkansas: "* * * we are already on the way doing many of the things the report to Congress suggests, we have the technical know-how to do some of these things, but we need some help * * *."

The secretary of the chamber of commerce in a Michigan town: "There are many people living on farms in this area who are well prepared and adapted to the rural life. With modern machinery, they can operate their farms with time to spare. If there was some sort of industry centrally located where it could be reached easily, these people could do a good job of producing in such industry along with their farm operations and their standard of living could be improved immensely."

THE ROLE OF HEW

The Department of Health, Education, and Welfare is planning to coordinate its programs with those of the USDA and the Departments of Commerce and Labor in rural counties where there are development programs. Vocational education, public assistance, public health, and rehabilitation of the disabled all will be used as the situation warrants. The expansion of old-age and survivors insurance coverage to farm operators and farm workers is, of course, a program in which interdepartmental cooperation also will continue to be carried forward.

INFORMATION AVAILABLE

The Department has material available for distribution that provides background information on low-income farming in the United States and on the rural development program:

1. The Development of Agriculture's Human Resources, the 43-page report of Secretary Benson giving information on the problem and a detailed discussion of possible action.
2. Low-Income Farm People, a list of selected books, pamphlets, bulletins, and periodicals on low-income farming.
3. Summary of discussions at the Memphis conference on rural development.
4. Testimony before the House Subcommittee on Agricultural Appropriations and copies of addresses on the subject.
5. List of counties in generalized low-income areas.

If you wish any of this material, write the Office of Information, United States Department of Agriculture, Washington 25, D. C.

RURAL DEVELOPMENT PROGRAM NEWS

United States Department of Agriculture, Washington, D. C.

August 1955
No. 2

STATES ARE MOVING AHEAD

We are greatly encouraged by reports from States, counties, and communities that are pushing ahead with rural development programs. The following is a summary to date in which agricultural college and extension officials tell of meetings to organize rural development programs in their States:

Minnesota.—Dean Harold Macy held a meeting July 18 of agricultural agencies and organizations in Minnesota, and reports that "there was a broad discussion of conditions in Minnesota and of the (program). It was agreed that we would work together to plan a program for Minnesota."

Extension Director Skuli Rutford was chosen chairman with Hans P. Hanson as temporary secretary. Represented in the meeting were such organizations as Farm Bureau, Farmers Union, Grange, and Farm Credit Administration along with various agricultural services.

West Virginia.—Under the leadership of Dean Harry R. Varney a State meeting was held August 10. Various counties have requested designation for pilot programs. An item of special interest was the report to the meeting by John M. Lowe, State director of vocational education. He cited the "need for more industrial training of our young people—only a small percentage of our boys and girls finish the 12th grade." He indicated that vocational education in West Virginia would be willing to help finance pilot operations.

Dr. Varney was elected chairman of the State committee, which will be expanded to include such organizations as the chamber of commerce, bankers' association, medical association, and regional associations. The next meeting is September 30.

Kentucky.—A meeting was held August 12. Theodore S. Gold, Assistant to the Under Secretary of Agriculture, attended. Previously Dean Frank J. Welch had reported: "As a measure of our interest in this problem we added prior to the Memphis meeting, a staff member with specific purpose of his giving full time to the leadership of this program. He is at present working as secretary of the committee within our own extension staff."

"We look forward to this opportunity with enthusiasm and confidence * * *"
A Kentucky rural development committee has been organized with Ernest J. Nesius as chairman and Earl Mayhew as secretary. A steering committee was set up with 1 representative from each of 9 different agencies. The feeling was expressed that in addition to this being an exploratory activity to alleviate low-income conditions, it will also be an experimental effort in coordinating services.

Oklahoma.—At a meeting August 18 of agricultural agencies in the State, a subcommittee was set up to analyze the problem on a county-by-county basis and determine a county where pilot work would be done this year. Leaders attending the meeting emphasized the importance of strong local participation and organized effort within counties.

Arkansas.—Dean Lippert S. Ellis presided at a meeting August 19 and was named permanent chairman of a committee with C. A. Vines, associate director of extension, as secretary. At this meeting a subcommittee was named to study the county situation and report to the full committee about October 3. The importance of local leadership in the program was stressed at this organizational meeting. Assistant Administrator Luke M. Schruben of the Federal Extension Service attended both the Arkansas and Oklahoma meetings.

Tennessee.—Dean John H. McLeod called a meeting August 23 of agencies servicing agriculture. Mr. Gold, who attended the meeting, reports that a rural development committee was formed with an executive committee, which will provide leadership in the program. J. R. Sasser of the Soil Conservation Service is the chairman of both committees. The executive committee is made up of representatives from the five agencies mainly concerned in the program. It was decided that a member of the rural development committee should be chairman for only 1 year. Thus the program will not tend to become the responsibility of only one official or agency.

The executive committee will assign teams of three representatives from the agencies attending the meeting to visit three counties in each of the major State regions. These teams will determine need and interest, and their reports will be used to pick the county in each of the three regions where a pilot program will be started.

Michigan.—Dean Thomas K. Cowden writes that a State meeting is planned for the near future.

New Mexico.—Dean Robert Nichols reports that: "* * * we are moving right along with our program here in the State and have already had several meetings with other agencies."

Idaho.—Dean James Kraus writes: "Although Idaho is not listed as 1 of the 27 States where this problem is most concentrated, we are making plans to at least make a pilot study of this kind in one or more selected areas * * *"

North Carolina.—Dean D. W. Colvard writes that there is an organization of the heads of agencies servicing agriculture, which meets regularly each month. It includes all farm organizations and agencies. The initial discussion of the rural development program will be with this group. "It has been discussed informally with several agency heads already, and we have received offers of cooperation from several of the agencies and organizations."

Iowa.—Ralph K. Bliss, of Iowa State College, used the rural development program for his radio talk August 12. "Low-income farmers are more than a farm problem," he said. "They are a National, State, and community problem and there should be a united effort in the solution of their situation.

"Citizens and towns—have a great responsibility along with agriculture in solving the low-farm income problem of the million and a half farmers of whom the President speaks."

Oregon.—Dean F. Earl Price writes that two counties have been designated for pilot programs of work with part-time farmers. "A group in the State is working on methods to recommend the type of program to be developed."

Nebraska.—Acting Dean Franklin E. Eldridge points out that there are many farms of low income in Nebraska, although the problem is not acute in the State as a whole. "At present our best approach to the problem will be through our farm and home development program," he writes. "We will ask the steering committee for this program to review the material on rural development * * * and to give consideration to any steps which need to be taken in Nebraska to inaugurate the objectives of the rural development program into our farm and home development program."

LOAN FUNDS AVAILABLE

Congress gave the Department of Agriculture authority to increase FHA production and subsistence loans by \$15 million but the request for other funds was denied. The increased FHA funds will be available for use in the pilot operations which various States plan to carry forward within the limits of their present resources. (See item 3 in previous News for a summary of congressional action on the requests of the Department.)

FAMILY FARM STUDY

A 15-member special subcommittee of the House Committee on Agriculture has the opportunity to make a major contribution to the rural development program. Representative Harold D. Cooley, chairman of the House committee, named Representative Clark W. Thompson of Texas as chairman.

Congressman Thompson, August 18, discussed with Under Secretary of Agriculture True D. Morse, the plans of the subcommittee to spend a week holding hearings during a trip through the Southern and Southeastern States. This will be in the area shown by the report, Development of Agriculture's Human Resources, to have the most farmers with low incomes. Congressman Thompson was assured of the full cooperation of the Department of Agriculture.

RESPONSE TO FIRST "NEWS"

The first issue of the Rural Development Program News was well received, and many readers have asked to be put on the mailing list. R. Lyle Webster, Director of the USDA Office of Information, has assigned Joseph C. Doherty to the editing and coordinating. One big farm magazine plans to give special attention to an item in the first issue that it believes to be especially timely.

COMMENT ON THE PROGRAM

In requesting several copies of the News a community development expert, Morris L. McGough, who is executive vice president of the Asheville Agricultural Development Council, remarks that: "Anyone who has seen the results that are forthcoming in better rural living and higher income when an area such as ours launches out on a rural community development program cannot help but believe that this approach is the greatest opportunity in present-day agriculture."

COMMUNITY DEVELOPMENT EXPERTS DISCUSS THEIR WORK

Late in July a group of business, Extension, and area development leaders met in Cherokee, N. C., to discuss how to do community development more effectively. This was the fourth annual meeting of the Southeastern Community Development Association. The 3-day meeting showed a large measure of imagination and enterprise. Truman L. Brooks of the Tupelo, Miss., Community Development Foundation, is the new president of the association. Here are some valuable ideas from the Cherokee meeting:

Youth should be brought into community improvement work through programs that appeal to them.

Prizes to reward the community showing the most improvement are essential in most area programs.

The church is the central meeting place in many rural communities and can play an important role in this work.

Techniques sponsoring groups can use to arouse interest include: movies showing model community programs; publishing magazines or newsletters and guides for leaders; using lecturers.

Newspapers, magazines, and radio-television stations have an obligation to publicize area improvement and needs.

Community development precedes industrial development and is necessary to it.

Trying to interest an entire community is often futile; area development organizations usually have to work through community leaders.

In organized community development, as many people as possible should be given definite assignments and objectives.

Secretary of Agriculture Ezra Taft Benson, in sending his report to the President that has resulted in the rural development program said, "The problem is more basic than low incomes expressed in dollars—it embodies human values—the lives and welfare of people and of families * * *."

RURAL DEVELOPMENT PROGRAM NEWS

United States Department of Agriculture, Washington, D. C.

September 1955

No. 3

STATE PROGRAMS—A CONTINUING REPORT

In the previous issue of the News we listed States whose deans of agriculture had reported on organization for rural development programs and other plans to help small farmers. Letters have since come in from several other States. They are summarized below.

California.—H. R. Wellman, vice president for agricultural sciences, University of California, says the State has had a program for several years to aid a small number of families of agricultural workers. "The poor living standards of these families has long been a problem in this State. We expect to expand this program."

New Mexico.—Dean Robert A. Nichols reports that a meeting was held August 19 of representatives and agencies servicing agriculture in the State. The group decided to organize an advisory committee for programs affecting agriculture, with a special subcommittee on rural development. "Efforts will be primarily devoted to developing the appropriate organizational setup in the field for the best cooperation and program coordination possible."

New York.—Dean William I. Myers of Cornell reports that Clifford R. Harrington, assistant county agent leader, will be responsible for work that might be done to improve the opportunities of underemployed farmers. "* * * we are anxious to see," Dean Myers writes, "what can be done to give further help in the counties of this State which have substantial numbers of underemployed, low-income farmers."

Illinois.—Dean Louis B. Howard writes that Extension supervisors and specialists have discussed the program in the State. Three counties—Pope, Hardin, and Jackson—have been singled out as "most logical for the work of this type at the present time." The plan is to employ an assistant farm advisor who will study the situation and help local people develop a program. "Present farm income increases in these counties," he observes, "seem to rest largely in improved production on farms, along with much stress on improved quality products."

North Dakota.—The director of the agricultural experiment station, Glenn C. Holm, writes that projects already in operation at the station will provide information for the State extension service in its approach to the rural development program.

Iowa.—The State has a number of farmers with low incomes because of inefficient units, lack of managerial skills, and other reasons, says Dean Floyd Andre. "Over the years the various agricultural groups have considered this problem as part of their program." Although no special organization will be set up, "the resources of the several agencies can be effectively used within the framework of their present program * * *"

Maine.—Dean Arthur L. Deering describes efforts to meet the problem in the State and the attempt to develop new agricultural enterprises to increase income. "We have recently purchased a farm for experimental purposes and are developing a strong research program for those particular areas * * * where low-incomes prevail."

Vermont.—Dean J. E. Carrigan writes that representatives of a group of State and Federal agencies dealing with agriculture have been meeting during the past year to discuss the land-use situation and problems. As an initial step, the rural development program will be brought before this group at their next meeting.

West Virginia.—Another State meeting is planned for September 30.

Arkansas.—Two meetings of the State rural development committee will be held October 4, according to a further report from Dean Lippert S. Ellis.

As this news goes to press, 21 States have reported on work with small farmers. Organizations are being set up for rural development programs with State advisory committees. As these reports show there is widespread activity—it is not confined to States where the problem of low rural incomes is most serious.

Letters from State officials reflect widespread agreement on the scope of the problem and the need for special efforts to remedy it. Many officials describe what has been done recently to help small farmers and stress the importance of extension's farm-unit approach in this kind of program.

IMPORTANT ROLE OF STATE PLANNING AGENCIES

Secretary Benson's report on the development of agriculture's human resources points up the need for industrialization and off-farm job opportunities in many low-income areas.

Victor Roterus, Director of the Office of Area Development, Department of Commerce, emphasizes the work of State planning and development agencies in forwarding industrial development. "These State agencies," he says, "can play a vital role in the success of rural development programs. They can make valuable contributions to any State groups providing leadership in the program."

TEXAS MEETING OF FARM PLACEMENT OFFICERS

Representatives of the Department of Labor will meet early next year in San Antonio, Tex., with State and regional farm placement personnel to discuss their operations. A major agenda item will be programs to meet the long-range needs of farm people who want to move out of overpopulated low-income rural areas.

"In the meantime," according to a Department spokesman, "regular placement activities will be stepped up. The Department of Labor is continuing to work on plans to carry out the President's recommendations for the development of agriculture's human resources."

HEW REGIONAL DIRECTORS TO DISCUSS PROGRAM

Regional directors of the Department of Health, Education, and Welfare will meet in Washington the last week of September to discuss Department programs, including operations under the rural development program. Cooperation between the Department, other Federal agencies, and State agencies in the rural development program and coordination of operations in whatever pilot counties might be named are important items on the agenda.

CONGRESSIONAL AUTHORITY FOR SPECIAL AID

In a letter last month to State extension director, Luke M. Schruben, Assistant Administrator of the Federal Extension Service, reported on congressional authorization for special aid to farmers with low incomes. The authorizing legislation, which provided for a new section in the Smith-Lever Act, pointed out that certain farm areas are at a disadvantage in agricultural development. To encourage development in these areas, "there are hereby authorized to be appropriated such sums as the Congress from time to time shall determine to be necessary for payments * * * on the basis of special needs in such areas as determined by the Secretary of Agriculture." As the News reported before, no additional funds were appropriated for this purpose in the last session of Congress. If you want a copy of Mr. Schruben's letter, write the Office of Information, USDA, Washington 25, D. C.

CONGRESSIONAL HEARINGS ON LOW RURAL, URBAN INCOMES

Senator John Sparkman of Alabama is chairman of a special congressional subcommittee that will hold hearings November 18 to 23 on the continuing low-income status of some rural and urban families in the Nation. Senator Ralph E. Flanders, of Vermont, and Representative Augustine B. Kelley are the other members of the subcommittee. They will study ways to increase the productive capacity and level of earnings of these families. Department of Agriculture representatives are expected to testify during the hearings.

The last issue of the News reported on a family farm study that will be made by a special House subcommittee headed by Representative Clark W. Thompson, of Texas. These activities on the part of Congress should lead to proposals for more action, backed by appropriations, to help low-income farmers.

NEGRO EXTENSION WORKERS LOOK TO PROGRAM

Farm and home demonstration agents in the South are hopeful that the rural development program will forward their work with Negro farmers, according to a report of Sherman Briscoe, USDA, Office of Information, who recently traveled in 10 Southern States.

"While the small farmers face an uphill fight," he writes, "the owners of adequate family-size farms are more confident than ever about their future in agriculture. They are optimistic because they feel that they now have the farming know-how. If you want a copy of Mr. Briscoe's three-page report on Negro farmers in the South, write the Office of Information, USDA, Washington 25, D. C.

The rural development program is rolling ahead. During the next few months congressional committees and meetings of important national groups will take up the problem of low-income farming and the rural development program at some of their sessions. The following partial list illustrates the growing activity:

October 4: The National Conference on Public Policy in Green Lake, Wis., will feature a discussion of the problems of farmers with low incomes. The conference is sponsored by the Farm Foundation.

October 6 to 13: A special 15-member congressional subcommittee studying family farming will travel by bus through part of the low-income farm area and hold hearings in the South.

October 18 to 20: A national convocation on the church in town and country in Springfield, Mass., will hear a discussion of the rural development program in an address, *New Opportunities for Church Leadership*, by Under Secretary True D. Morse. The home missions division of the Council of Churches will sponsor the convocation.

November 15: The Land-Grant College Conference at Michigan State University will discuss servicing the family-type farm.

November 18 to 23: Congressional hearings will be held on the low-income status of some American families. (See p. 3 of this News.)

November 13 to 15: A workshop on rural development at Tuskegee Institute will be attended by representatives from the USDA and Southern States.

December 2: At the Fourth Annual National Agricultural Credit Conference, sponsored by the American Bankers' Association in Chicago, there will be a discussion of the role of credit in the rural development program.

December 6: The Missouri Extension Conference will consider Extension's job as it relates to the development of agriculture's human resources.

RURAL DEVELOPMENT PROGRAM NEWS

United States Department of Agriculture, Washington, D. C.

November 1955
No. 4

There is widespread interest and activity in the rural development program. As many as 27 States have reported long-term rural development type work or plans for special programs. These reports describe the formation of rural development program committees in some States to provide leadership, special continuing research on problems of small farmers, intensified farm and home unit planning, and county surveys.

At least 10 States are planning pilot rural-development programs in 1 to 3 counties each. These counties are now being selected.

WHY TEXAS PICKED CHEROKEE COUNTY

Representatives of agencies servicing agriculture in Texas have selected Cherokee County in the eastern part of the State as the first pilot county. A. C. Magee, professor of agricultural economics, Texas A. and M. College system, has cited five reasons for the selection of Cherokee:

1. The situation in the county is similar to that in nearby counties.
2. A soil survey was recently completed.
3. Good working relations exist among agricultural agencies in the county.
4. The soil conservation district corresponds with county boundaries.
5. The Farmers Home Administration has an active program there.

About 200 farmers and business leaders in Cherokee County met and agreed to move forward with a rural-development program. In reporting the meeting, the county newspaper commented: "Cherokee County's future in agriculture is indeed bright * * *. Plans are to make Cherokee County the showplace for other counties in Texas to watch and follow."

TENNESSEE PICKS THREE COUNTIES

In a meeting, October 20, the Tennessee Rural Development Committee approved three counties for rural-development type work. These counties—Hardin, Macon, and Grainger—are located respectively in the western, central, and eastern parts of the State so that results will point the way for future work in these three main parts.

MORE STATES ARE MOVING AHEAD

Since the last issue of the News, other States have reported rural-development activities.

Mississippi.—Dean Clay Lyle writes that the State has had a coordinating council of agencies servicing agriculture for several years. At a meeting October 21 on the rural-development program, the group discussed many forms of assistance to small farmers, including part-time employment opportunities, credit, better health facilities, extension, research, and vocational training.

Washington.—Director Louis L. Madsen of the institute of agricultural sciences of the State college writes that "we are very sympathetic and interested" in rural-development work. A 5-year extension service-experiment station project, using college and Kellogg Foundation funds, is underway to evaluate the farm and home unit approach and other extension techniques.

Michigan.—Assistant Director Richard W. Bell, of the extension service, reports a meeting October 21 of agencies servicing agriculture to discuss rural development in the State and the possibility of naming a pilot area.

West Virginia.—At a meeting of the rural-development committee, September 30, a subcommittee recommended criteria for selecting a pilot county: (1) Most people in the area should earn most of their income from farming; (2) the local people are willing to take part in the program; (3) marketing facilities are available; (4) opportunities exist for vocational training; (5) land potential is present.

New Jersey.—Associate Director of Extension Lindley G. Cook writes that they have been making a special effort in some counties to get local opinion on long-range needs for extension work. Many specialists taking part in the study report that 4-H Club work offers the most effective way of aiding farm families with very low incomes. Some local leaders believe the parents can be approached only through the children.

Georgia.—Dean Calvin C. Murray, of the college of agriculture, describes long-range work in the State: "We are now in the process of doing county program projection in 18 counties." Organization is similar to that suggested for the rural-development program: a State committee and a local committee in each county. "If the proper job is done in these counties, essentially the same results will be obtained as is outlined in the rural-development program."

KENTUCKY PLANS RURAL DEVELOPMENT

A program for rural development in Kentucky would require a statewide or overall approach to the problem and an area approach in those areas of similar

conditions. The proposal was prepared for the Kentucky Rural Development Committee by Earl Mayhew of the experiment station.

The plan describes different kinds of low-income farming in the State and includes colored maps showing counties where small farms are concentrated. It is pointed out that the full resources of extension, the college of agriculture, and the experiment station should be brought to bear in the leadership and development of a program.

"The cooperation of other agencies having something to offer for the curing of underemployment and the lack of purchasing power and for the improvement of rural life and rural life opportunities should be utilized to the maximum possible extent." Other governmental departments as well as business and civic organizations have contributions to make, along with agricultural agencies. The extension service would furnish leadership for inaugurating the program.

Some research is needed at once on small farm enterprises and techniques to use in rural development. The draft plan cites research subjects, including resource factors versus human factors as causes of underemployment, the most effective methods to use in the program, and relationships among agencies.

AN OHIO COUNTY TAKES THE INITIATIVE

Ohio's Monroe County, in the southeastern part of the State, is beginning rural development at the grassroots. County leaders have started to gather facts on agriculture, industry, and health and to speed up economic progress. Finding that 4,000 workers are available for jobs, the county industry committee issued a report, What Monroe County offers. It is an invitation to business firms to move in. Extension Agent Howard Phillips says the county will succeed in this program because, "people, not land or fine livestock or big bank accounts, are the basic resource."

USDA AGENCIES MEET ON PILOT COUNTY SERVICES

At a meeting October 10 of the USDA Rural Development Committee, agency heads discussed with Under Secretary True D. Morse the help they can give in pilot county work using present resources. The discussion centered on FHA credit; consulting on rural development research; promotion of small industry through credit for electrification; small forest management; advice in setting up woodworking industries; soil surveys and advice on soil use; and information services.

A working aid listing services available for pilot areas through the USDA and other Federal departments is being prepared for State rural development committees and other State leaders heading up work with pilot counties.

At this meeting, agency heads also named representatives of their agencies who will be responsible for rural-development program activities. They are:

Dr. Sherman Johnson, Agricultural Research Service
 Robert A. Ragains, Farmers Home Administration
 Dr. Margaret Hagood, Agricultural Marketing Service
 Robert D. Partridge, Rural Electrification Administration
 Dr. Charles E. Kellogg, Soil Conservation Service
 Charles A. Sheffield, Federal Extension Service
 William S. Swingler, Forest Service
 Russell C. Engberg, Farm Credit Administration
 Joe Doherty, USDA Office of Information

HOUSE SUBCOMMITTEE REPORTS FAMILY FARM NEEDS

The economic problems of many small-farm families "warrant the attention of the entire Nation," a Special House Subcommittee on Family Farms recently reported in a statement issued at the close of a 1,500-mile trip through the South.

The subcommittee held hearings in Texas, Louisiana, Alabama, Mississippi, and Tennessee, during which farmers, farm-organization leaders, and agricultural agency representatives testified. The subcommittee stated that "positive action is required to accommodate the needs of the family operated farm and to protect and promote the family farm as the continuing basic unit of American agriculture."

Additional hearings will be held as part of a comprehensive study of family farming. The reports should help push forward the whole rural-development program.

COMING MEETINGS

The Adult Education Association will sponsor a conference on rural and urban community development in St. Louis November 11 to 13. Social scientists, community leaders, and extension agents will discuss the impact of adult education on community growth. If you want more information, write the AEA, 1201 16th Street NW., Washington, D. C.

The 13th Annual Professional Agricultural Workers' Conference at Tuskegee Institute, November 13 to 15, will concentrate on rural-development problems and techniques.

The annual east Tennessee awards banquet will take place December 3 in Knoxville to honor outstanding communities in the community-improvement program.

"The rural-development program will take the time and cooperation of many citizens. The end results will be satisfactory when there is cooperation between business leaders, farm leaders, civic leaders, and educational leaders looking toward a complete solution of the community problem."—Farm and Home Administrator R. B. McLeish.

RURAL DEVELOPMENT PROGRAM

United States Department of Agriculture, Washington, D. C.

NOVEMBER 9, 1955

A WORKING GUIDE TO FEDERAL GOVERNMENT SERVICES

Agencies of the Department of Agriculture and other Federal departments have many services available for rural development work. They will be especially applicable in pilot counties. The services that can be given this fiscal year are limited by the lack of additional funds, but, using present resources, everything practical and appropriate will be done to help make pilot programs successful. The following Federal agencies and departments are concerned in the rural-development program and have services available:

Department of Health, Education, and Welfare

The extensive grant-in-aid programs of the Department of Health, Education, and Welfare are largely administered by State health, education, welfare, and vocational-rehabilitation agencies. These agencies are contributing to community development. The problems and opportunities for service in the rural-development program should be of special interest to them, and their participation in State rural development type work should be helpful.

The Department of Health, Education, and Welfare is sending information to State agencies concerning the program, and its regional directors will serve as liaison representatives with State committees.

Department of Labor

The Department of Labor has asked State employment security agencies to cooperate with other State agencies doing work in pilot counties, to the extent that staff resources permit. State employment security agencies will try to integrate their activities with pilot programs wherever possible.

These agencies provide the following services in cooperation with the Bureau of Employment Security, Department of Labor:

1. Aid in the temporary or permanent relocation of farm workers from surplus labor areas to areas of greater opportunity.
2. Recruitment for farm and nonfarm jobs.
3. Identification of labor surplus areas for special consideration by the Office of Defense Mobilization in placing defense contracts.

The Bureau of Employment Security has been studying ways of improving programs to give youth in rural areas more opportunity for farm and nonfarm employment. New techniques of counseling, job guidance, and testing are being developed to aid youth in finding productive employment. The Departments of Agriculture and Labor have made special studies on problems of unemployment among cotton workers. The information developed in these studies will be available for use in rural development program type work.

Department of Commerce

The Department of Commerce will urge State development agencies, with which it works closely, to take part in pilot area work. A special effort will

be made to inform local leaders about technical information available from the Department that would be useful in the establishment and operation of small industries.

The Area Development Division is prepared to provide technical assistance and information. A community and area development checklist is available on request. It is designed to assist community and area groups to decide what they can best do to develop industry and trade.

Department of Agriculture

Agricultural Research Service will continue to consult with State agricultural officials and technicians on approaches to use in studying rural development. Research projects, concerned in part with development in rural areas of inadequate income, are under way in Ohio, North Carolina, West Virginia, and Texas. A study of Farmers' Home Administration records has been started to determine conditions that allow farmers to improve their incomes.

Current work in household economics, including studies of nutrition, clothing, and housing should make an important contribution to programs designed to raise family levels of living.

Information supplied extension workers on costs and other conditions of family living is being adapted in some States for use in rural development.

Federal Extension Service: A staff member will give direct program assistance on an organized basis to State extension services in pilot work.

Requests from State extension services for special need funds for pilot work will be considered carefully on their merits.

Forest Service: In national forest areas, the timber sales program will help increase job opportunities for local people.

The joint Forest Service-State farm forestry program aids farm owners in finding markets for their woodland products and provides technical advice on cutting and logging.

The establishment of small woodworking plants in pilot areas would also provide increased job opportunities.

The Small Business Administration offers credit aid and information and advice on production and management of small industry, like these woodworking plants. SBA also reviews Government buying contracts to give small businesses a chance to bid on them.

Soil Conservation Service will arrange for soil surveys in pilot counties where they are not available or under way and for their interpretation. SCS will seek the cooperation of soil-conservation district governing bodies and assist them in encouraging small farmers to join in the district program. SCS will give leadership:

1. To bring recommendations up to date on alternative uses of soils and small farms.
2. To assist with technical advice so that small farmers can realize the highest continued production their soil and water resources make possible.

Agricultural Marketing Service will undertake 1 or 2 field studies on farmers' experience during the first year of coverage under the 1954 amendments to the Social Security Act. AMS will cooperate with land-grant colleges in these studies, which will not be limited to pilot counties.

Farmers Home Administration will make sure that adequate personnel are available in pilot counties and as necessary will allocate additional production and subsistence loan funds for these counties.

Loans made under the Bankhead-Jones Farm Tenant Act are limited to farmers having adequate land resources for full-time operations. Production loans as well as real-estate loans are available under this authority. In some areas it might be possible to aid farmers who do not have enough land to acquire more and to improve other resources.

Under the soil- and water-loan program, assistance may be given to improve water supply for farm and home use.

FHA personnel in cooperation with Extension will advise small farmers on the best type of agriculture for an area.

Rural Electrification Administration will urge borrowers serving pilot areas to make electric service available where economically feasible to all families and enterprises.

Loans can be made for the construction of electric and telephone facilities to serve industries that may result from pilot program action.

Where credit is not available to buy and install on-the-farm electric equipment and plumbing, REA can make loans to borrowing organizations for relending to their consumers.

REA will encourage the participation of borrowers in the planning and operation of pilot programs.

Office of Information, USDA, will maintain a list of pilot counties and areas and will supply information on rural development.

States will be asked to suggest information material that might be effective in pilot work and will be assisted in preparing some of it.

Farm Credit Administration

FCA will encourage district supervisory offices to: (1) Inform officers of production credit associations and national farm loan associations about pilot county plans; (2) request that the associations cooperate in the program.

This working guide has been prepared for the use of deans of agriculture, directors of extension, chairmen of rural development program committees, and other State and Federal officials concerned with the program.

At the Memphis conference, January 7, 1955, of Federal officials and representatives of 28 land-grant colleges and universities, general guidelines were suggested for the organization of programs in States.

The meeting suggested the formation of State advisory committees as circumstances warranted. The working group on organization advised that, "this committee should, as a minimum, include representatives of those different agencies which are in the business of servicing agriculture. The functions of this State committee, for the most part, would be advising the several agency groups involved and coordinating their efforts better to attain a common objective. Each agency involved would, of course, retain the responsibility for the operation of its own program through its usual normal channels of command."

There should be agreement on the kind and amount of help needed at the local level. The working group suggested formation of committees in counties where rural development type work was planned. These committees would direct the work at the local level.

A large number of "governmental agencies—Federal, State, and local—civic groups, farm organizations, urban groups, and professional organizations might very well have a real interest in the furtherance of the objectives of a rural development activity * * * agency people should make every effort to fit their programs and their activities into the course of action determined by this local group."

Finally, the Memphis working group said there should be "at least a broad general understanding of the role of each one of the several agencies in carrying out its particular functions with respect to a rural development effort."

Mr. MORSE. Mr. Chairman, knowing that you have a panel here, and that you have a lot provided for your program, I would be glad to respond to questions, and if the rest of my statement may go into the record I would terminate my statement at this point.

Senator SPARKMAN. Without objection, that will be done, Mr. Secretary.

(The balance of Mr. Morse's statement is as follows:)

In the past many services of the Department of Agriculture have directly or indirectly assisted small farmers. The Farmers Home Administration was established mainly to help them obtain the economic resources to carry out successful farming.

We have increase Federal funds for cooperative extension work with States. In part, this increase was to expand the approach to extension work in which the county agent assists the farm family to plan their total program. It is an important and increasingly successful way to help small farmers.

The Soil Conservation Service helps small farmers to manage effectively their land, fertilizer, and seed resources.

The loan program of the Rural Electrification Administration has benefited farmers with low incomes by enabling them to get electricity at or near cost from the systems of REA borrowers.

The Agricultural Research Service regularly consults with State officials on studies in rural production economics, including rural development. Cooperative research dealing with improvement in production on farms of low income is underway in a few States.

The Agricultural Marketing Service develops information on the farm population and the extent of migration from areas of low income.

The Department of Agriculture cooperates closely with the bureaus and agencies in other Federal departments that take part in Federal-State programs to assist American agriculture.

These and other activities of the Department and of other Federal departments in cooperation with States have assisted many farm families to improve their operations and their standard of living. Even nonfarmers can imagine what it means to a small farmer and his family to have the benefit of electricity, or access to reasonable credit funds for needed equipment and breeding stock, or technical assistance in managing their resources.

But there are still too many farms of low production and few sales. Families on them have not shared in the remarkable advance of agricultural techniques in recent years. They have gained almost nothing from price-support programs. Many of their farms are too small for the mechanized techniques of today. Some of their soils are unproductive. Some of these farms are at great distances from marketing and trade centers. In nearly 1,000 counties more than half the farmers depend on such farms for almost all their income.

In spite of Government and private programs of aid to agriculture, improved farming techniques, and the increased national income of the last decade, a sizable segment of our agriculture has been unable permanently to raise its earnings.

President Eisenhower recognized this fact when he requested early in 1954 that special attention be given to the problems of farm families with low incomes. It was apparent, then, that something more should be done to help this group of our people break the cycle of low production leading to poverty of resources. Even before we began our studies we realized that any program of assistance would need to extend over many years and that careful preparation should precede it. We were determined to avoid the kind of hasty operation that leads to failure or the kind of centralized program that leads to waste of money, Federal-State antagonism, and large additions to Government payrolls.

We made a study of the situation confronting small farmers who cannot get the resources for economic operation, or who are handicapped by poor education, health, or advanced age. In our studies we emphasized the situation of youth in areas of low income. They are in the best position to improve their standard of living.

You will be interested in our approach to this study. We canvassed Government and private agencies that could supply information. We obtained valuable help from studies of rural underemployment done by the Joint Committee on the Economic Report. We drew upon the research findings and the experience of the Department of Agriculture and other Federal departments and agencies. Business, labor, church groups, major farm organizations, and colleges were consulted. State agricultural agencies supplied the valuable information that comes from firsthand knowledge of conditions. The National Agricultural Advisory Commission gave general direction to the study.

I know of few other research reports on low-income farm problems that have been able to use such a wide range of resources, that have been prepared with such wholehearted cooperation, and that have met with such general agreement on the part of those participating in it.

You are familiar with our report, *Development of Agriculture's Human Resources*, which was sent to President Eisenhower late in April. We have not time this morning to go into detail about the many findings cited in this report. However, I would like to call your attention to a few basic facts about low-income rural areas, which are highlighted in it.

Farms with very low incomes are found everywhere in the Nation. But most of them are concentrated in the South, the Appalachian Mountain areas, western New Mexico, the cutover areas of the Lake States, and the Cascade and northern Rocky Mountain region.

According to the 1950 census, almost 2.9 million farm-operator families had cash incomes under \$2,000 a year from all sources. Of this number, almost 1.5 million had incomes under \$1,000.

Only 34 percent of the commercial farms in the generalized problem areas reported tractors, the basic power tool of the modern farm.

Average cropland harvested per commercial farm was 40.5 acres in these areas, compared with 117.7 acres for the rest of the United States.

Some of these areas are truly an economic paradox. They have chronic underemployment and lack of employment even though the rest of the Nation is enjoying full employment and high economic activity.

What is to be done about low rural incomes in some areas? What is the answer? We were not content merely to set forth a body of facts in our study. We wanted also to give answers based on these facts. We made recommendations for private and Government action. We suggested techniques that could be used to get at the roots of the problem. These recommendations are in line with the experience of people working in the field who know what might work and what might not.

In transmitting the report to the President, Secretary Benson summarized the detailed recommendations that were made. They blueprint a rural development program for leaders in American agriculture and I should like to describe each of them briefly.

Low incomes among farmers are usually the result of inadequate economic resources. Private and Government credit that small farmers can use efficiently should be expanded.

Extension-type education to fit the needs of farm families with limited resources and training, and of farmers who work off the farm part time, should be increased.

Research to fit farm units to changing conditions and to help with credit management, and changes in land tenure is especially important in guiding development programs. We should undertake cooperative Federal-State research to determine needs for assistance and for off-farm employment in certain areas.

Farm youth in these areas need more opportunities for training and education in both agricultural and nonagricultural skills. Rural communities in general have less adequate facilities for vocational training and guidance than do urban communities.

Better health services and practices should be emphasized as basic to total improvement in some areas. In World War II farm youth had the highest rates of rejection for military service. Rural health services are often inadequate and the practices of some families lead to poor health.

Underemployed farmers need more opportunity to learn about available work. Because of the continuing migration from rural to urban areas, farm people need the most up-to-date and detailed information on job opportunities in other areas.

Federal, State, and local agencies should encourage development of more industry in some rural areas. Industrial development offers an opportunity for higher earnings and better use of skills.

Most farmers and farmworkers are now covered by social security. Rural people should be informed of the program and its use in order to get the maximum benefit.

Finally, and perhaps most important, we recommended an increased use of trade area and community improvement programs to raise standards of living. In line with this, we pointed out that the keystone of the whole effort to better economic conditions in areas of low rural income would be the initiative and cooperation of people in the States and localities. In the past, too many programs to improve living standards in these areas went ahead with little consideration for the interests and desires of local people.

In this list of recommendations, you will recognize many techniques used successfully by Government and private agencies in the past. We believe that they complement each other and that used together they constitute a new, dynamic approach. The Nation is now aware of the chronic needs of rural people with low incomes. The Department of Agriculture and other departments of the Federal Government have joined with several States to carry forward a program to assist these rural people.

I have been made responsible for coordinating the rural-development program and giving leadership within the Federal Government. We have set up two committees—an interdepartmental committee and a committee of agencies in the Department of Agriculture that have important responsibilities under the program. These committees deal with major decisions regarding the Federal Government's role and coordination with States doing rural development work.

Early in June, Federal representatives met with representatives from the 28 States where the problem of low rural incomes is most serious. The meeting outlined a plan of organization within States and supported emphatically the position that local interest and cooperation were essential to the success of any program.

We had recommended pilot programs in not more than 50 counties where rural development work should be started. In this way States and Federal agricultural officials and local leaders could gain experience for an expanded

program in the future. To implement Federal responsibility in this series of pilot rural development activities, we requested modest supplemental funds from the Congress. This money was to finance special extension work, increased lending, technical assistance, research, and necessary administration. The Department of Labor requested increased funds for employment services. We received half the additional FHA loan authority we had asked—and no other funds. The Congress did authorize special extension work in some areas, but did not give authority for FHA loans to part-time farmers.

The lack of the funds requested has prevented our moving forward with all the services we had planned and fully supporting the initiative so effectively gained through early leadership and the publication of the report on farm families with low incomes. We are determined, however, to give all possible assistance to States doing work in pilot areas, using the resources available. The rural development program now provides the setting for assistance available for small farmers.

As I pointed out, 17 States are planning pilot rural development in certain areas, and 8 have already selected counties. I want to emphasize at this point that State officials have taken the initiative to make a start on the program at the local level. It is they who have decided to go ahead and who have selected counties. We in the Federal Government will do everything we can to help forward their work.

During the balance of fiscal 1956, agencies of the Department of Agriculture will intensify some regular activities, whenever possible, to assist in pilot areas. For example, we will have a research project on factors increasing small farm efficiency and will cooperate with a few States in other research. A Federal Extension staff member will give program assistance to State extension services in pilot programs. We will make sure these areas are covered by soil surveys and will give technical aid on soil use to farmers there. We will allocate increased FHA loan funds, wherever feasible. We provide information on the rural development program and coordinate the various efforts. There have been four issues of the Department of Agriculture's Rural Development Program News, 2 in August, 1 in September, and 1 in November. This periodic newsletter gives up-to-date information on rural development work and is sent without cost to State leaders and anyone interested in the program. We have set up close liaison with the Department of Health, Education, and Welfare; the Labor Department, and the Commerce Department, all of which have vital roles in the program.

The Congress will again be asked to provide modest funds so that we can move forward with basic recommendations. This money will finance special activities during the next fiscal year in areas State officials select for pilot rural development. We need enough funds to assist States in this pioneering phase of the attack on causes of low incomes in some rural areas.

The States, in cooperation with Federal agencies, have started a program to overcome a basic problem in our economy. The program will necessarily extend over many years and will call for steady, wisely planned action by Government and private organizations. The most important factor will be the interest and support of local people and other leadership. Errors should be avoided that result from a too rapid expansion on the basis of limited experience.

These hearings are concerned with the main aspects of the low-income problem. They are concerned first of all with the role the Federal Government should play in promoting higher incomes. We know that some areas face economic problems that are almost insoluble without assistance from outside. In recommending a program for rural development we have recognized the importance of Government action. We have also recognized its limitations. Federal Government services should stimulate States and localities to take the initiative in solving economic problems.

These hearings are concerned with the value of income security measures, and related vocational rehabilitation and health programs. Our report Development of Agriculture's Human Resources refers to inadequate health conditions in many rural areas of low income. We have recommended better health education, the development of voluntary health insurance, and increased cooperation between agricultural agencies. The Congress recently increased social security coverage so that most farmers and farm workers would be covered. Social security will be an important source of income for older farmers. We are beginning studies to find out the effects of this program in some rural areas.

These hearings are concerned with the role of education and training in

improved earnings. The rural-development program puts emphasis on the betterment of youth as the group having the greatest potential. We recommended increased vocational training—not only in agriculture but in other skills as well—and a concerted effort by government and nongovernment agencies to develop more effective training and guidance programs.

Young people in areas of low rural income represent immeasurable economic, social and cultural potential. Given training, guidance, and employment assistance, they will be able to earn high incomes and contribute to the total wealth of the Nation.

These hearings are concerned about labor surpluses and underemployment in some rural and urban areas. Main parts of our recommendations are directed at this particular problem. Special extension work, research, increased credit, technical assistance, area development, industrialization, and vocational education—all are methods to increase employment through more efficient farming and more off-farm job opportunities.

These hearings are concerned with ways and means to aid people with low incomes. The staff report of this subcommittee observes: "A comprehensive unified program which takes into account all the various types of remedial action necessary in the particular situation is still needed." I believe this to be a concise description of the program we have recommended for the development of agriculture's human resources.

Senator SPARKMAN. Senator Flanders, do you have some questions to be directed to the Secretary before we hear from the other witnesses?

Senator FLANDERS. Well, there are 1 or 2 questions, Mr. Morse, I would like to raise.

One of them relates to the applicability of your program to the extreme lower level of agricultural poverty. I am thinking, for instance, of having climbed around in the mountains of the Alleghenies, and seen some of those hillside farms with cornfields and a pig. I don't see how they maintain life in a cornfield the small size that they had. It wasn't even enough to make moonshine liquor out of, and it is a mystery to me how they did it.

That is the very bottom level of agricultural poverty, and yet above that there are levels of farming which we find in different parts of the country so low it is scarcely farming at all.

As I read your program, I didn't quite get its application to that extreme low level.

Mr. MORSE. This is a very broad program, Senator, encompassing, in addition to the farming activities and the home aspects, better education, training in skills and vocational training for the youth. There is an exodus of about one-half of the young people out of the areas such as you describe and other low-income areas.

As rural youth go into the cities and into industrial employment, into the offices, and wherever they work, they carry with them the educational base which they have received in their home communities, and so a very important part of this program we feel should be directed to that.

Further, there should be more industrialization out in such areas, where people can have a home in the open country and have off-farm employment—full-time or part-time in factories. There are many excellent illustrations. In other words, rather than living in mill villages or congested areas, if a factory locates out in such regions, the people can continue to live out in the country on small land units, where they can produce much of what they need to live on, and have factory wages as supplementary income.

It fits into, and can be a very important part of the dispersal of industry, which is called for in connection with the defense program.

Referring to the mountain areas which you have used as an illustration, for example, in the Asheville, N. C., area, there are some 10 large

factories that have located in the Ashville area, but none of them in Asheville. They are located out in the mountain areas and they are giving employment to rural people. The workers can continue to live on their small farms and have an additional source of income.

Senator FLANDERS. I may say, Mr. Morse, that until I was 18 I lived on a part-time farm. My father had seasonal employment which got most active beginning in the fall so that it was possible, with potatoes and milk and eggs and chickens and killing a hog in the fall—I could give some pointers on how to put up pork products if anybody wants them—and salt codfish (which is a necessity for New Englanders), to get along on a very small food bill.

Senator SPARKMAN. Wouldn't you include the homemade Vermont maple sirup?

Senator FLANDER. Yes. The old country word for that was maple sugar, which indicated its use as a substitute for cane sugar. That is included.

Now, that thought leads into another, perhaps the next level above this bottom level which I mentioned. When we say make a distinction of only a thousand dollars cash income—make a distinction and draw a line there, because you have to draw a line somewhere, I would have said that in my earlier experience, taking account of the decreased value of the dollar, that with practically every item of food raised at home, a small cash income was sufficient for clothing and for some cultural opportunities which my family considered necessary. What is, for instance, at the present moment—our chairman will know about this—the tendency on the small farms in the South, small cotton farms, for instance, toward raising a part of their subsistence? Is that going on? Is it economically desirable to encourage production for home use, or should they depend entirely on the cash crop?

Mr. MORSE. I could not agree with you more wholeheartedly that home production is extremely helpful. I have had extensive experience operating in the South growing cotton. I have spent a lot of time with sharecroppers and others, in an effort to get them to produce more of their living on the land they farm, so that they could have the cash income from their cotton production to spend for the things that they needed to buy besides their groceries and at-home living.

I am sure the trend has been definitely toward producing more of food needs for home living, and it is an important development. It has not gone nearly as far as it should go.

The average milk consumption, for instance, in the United States, is considered too low for good nutrition, and in some of the low-income areas, keeping in mind that the average for the Nation is considered too low, there are low-income areas in which the milk consumption is only half of the national average.

It shows how far we can go, just with a home milk supply.

Senator FLANDERS. My recollection of my youth is that we lived well. A lot of things we didn't have, but we didn't know about them and didn't need them, and we sat down with hearty appetites and enjoyed every mouthful.

There is just one other thing, Mr. Chairman. This is just an observation. I made the acquaintance a good many years ago of the Food Administrator of Denmark during the First World War, and he carried on a certain dietetic experiment, experiments with students, uni-

versity students, to see what kind of a diet would preserve health and growth in the products which could be raised in Denmark. He came to this conclusion, that it was milk and potatoes, provided you drank the water in which the potatoes were boiled, which I think was just an interesting observation.

Do you suppose that would keep a man or boy alive?

Mr. MORSE. I found an economist working on statistics some years ago in which he had gone back into some past famine conditions. If I remember correctly, he found out that milk and potatoes supplied practically all the nutritive requirements needed—even a number of the most important minor elements.

Senator SPARKMAN. May I just add: Wouldn't that be a little more palatable if you put a little of that milk in the water and made potato soup out of it?

Mr. MORSE. I am not advocating the diet, Mr. Chairman. I am speaking to the point Senator Flanders has raised, that apparently a healthy diet can be balanced up. We would certainly want to put some meat with it in this country.

Senator FLANDERS. That is all, Mr. Chairman.

Senator SPARKMAN. I may say, with reference to the growth of food produced for home consumption on the small family farms—certainly the South—I think there has been a decided improvement, and I believe today constitutes an essential and substantial part of the production of most of the small farmers.

Senator FLANDERS. I may say that so far as potatoes are concerned, you had better come to Vermont for your seed potatoes. You can't raise them indefinitely in the South.

Senator SPARKMAN. That is a good thought. We won't charge you for it.

One thing I want to ask you, Mr. Secretary. On the first page you refer to family incomes in the range of less than a thousand dollars a year. You state they are concentrated in agriculture. Then your next statement:

Less than one-fifth of the farmers in low rural incomes produced and sold \$2,500 worth of products in 1949.

That \$2,500 figure does not include this food that we are talking about which was consumed in the home table, does it?

Mr. MORSE. It is my understanding that it does not.

Senator SPARKMAN. In other words, the \$2,500 really refers to cash income?

Mr. MORSE. Yes, sir.

Senator SPARKMAN. When we refer to a thousand dollars of cash income, or any figure, are we to understand when you use it you are using it as cash income, exclusive of food consumed on the farm?

Mr. MORSE. That is my understanding, that is the cash farm income.

Senator SPARKMAN. A good many more questions I should like to ask you, Mr. Secretary, but it seems to me probably we might move into the panel discussion, in which all of these could be brought out, and it may be sometimes when we ask you a question, some other members of the panel will join in.

Mr. MORSE. Mr. Chairman, may I refer to these figures? Our rural-development program is broadly applicable and will not stop at any thousand dollars level, or \$2,500 level. It should reach to and stimu-

late activity among all farm families who need to improve their economic situation, as well as their general welfare. Further, before you leave me, I would like to express—

Senator SPARKMAN. I am not going to leave you. I just want to get you in place so the others can join in.

Mr. MORSE. I want to express my appreciation for your personal activity in this area, and also Senator Flanders. I know his interest in problems of low-income farm families.

Senator SPARKMAN. You know I am one of these little farmers myself. The only difference between Senator Flanders and me, I grew up in full-time farm work. Of course, that has been one of the hardships in our section of the country, that we did not have sufficient industry to absorb the excess farm population, or give that part-time employment that is so desirable.

I know at first hand the problems of the small farmers and the family sized farmers and I do believe it is a matter of great concern and should be of great interest to all of us. I am hopeful that we can arrive at a program that will better the situation considerably.

Let me say that with reference to the panel, the subject as it is listed for the panel discussion is helping low-income farmers help themselves. We have four expert witnesses in addition to the Secretary, who have contributed a great deal through their work with farm families. I shall introduce them to you.

First is Miss May Cresswell, former State home demonstration agent, Mississippi Extension Service, Mississippi State College. Then comes Miss Edith E. Lowry, executive secretary, division of home missions, National Council of the Churches of Christ in America. Miss Lowry, I understand you are accompanied by Mr. Lauris B. Whitman, who is executive director of the bureau of research and survey, National Council of the Churches of Christ in America.

Is it your wish that Mr. Whitman testify also?

Miss LOWRY. I would appreciate that.

Senator SPARKMAN. Fine.

Dr. Durward B. Varner, vice president, Michigan State College, and Mr. Harry V. Varney, dean, College of Agriculture, Forestry, and Home Economics, of West Virginia University.

Senator FLANDERS. May I ask a question of Mr. Varney? Were you ever or have you ever had any relative connected with the Agricultural College in the University of Vermont?

Mr. VARNEY. I was there myself.

Senator FLANDERS. Well, I have seen you before, then. Thank you.

Senator SPARKMAN. That relieves me. I thought he was going to qualify the jury. I suppose, though, with your answer you have been in Vermont that qualifies you.

Senator FLANDERS. Yes; he is qualified.

Senator SPARKMAN. Each panelist in turn will present a short summary of his statement in about 5 minutes or so and then we shall devote the rest of the time to a discussion following the pattern that we have been using in these hearings.

Miss Cresswell, would you like to proceed?

Miss CRESSWELL. Thank you, Senator.

Senator SPARKMAN. May I say if your statement is longer than the time limitations, we will put the whole statement in the record and we shall be very glad to let you proceed in your own way.

STATEMENT OF MAY CRESSWELL, FORMER STATE HOME DEMONSTRATION AGENT, MISSISSIPPI EXTENSION SERVICE, MISSISSIPPI STATE COLLEGE

MISS CRESSWELL. Thank you.

The function of extension is to bring the results of research to the farm, for the purpose of helping the family apply that information to increase income and achieve a higher standard of living.

To the farmer, extension offers help in improving production and marketing of crops, livestock, and forest products; in the use of power for efficiency; in soil and water conservation; in control of pests and plant and animal diseases.

To the rural homemaker extension brings assistance in housing; production, storage, preservation, and utilization of food for economy and good nutrition; construction, selection, and care of clothing; housefurnishings and household equipment; in wise spending of income for the health and satisfaction of the family. Interest in recreation, family relations, a program of education and growth is permitted by helping families make use of schools, libraries, church, and recreational programs, and, to participate in community development and civic affairs.

Each year more than 5 million boys and girls enroll in 4-H Clubs. From this group have come successful farmers and homemakers, businessmen, civic and church leaders, teachers, agricultural, and home demonstration agents. 1954 reports on 4-H club results show increased participation of boys and girls in projects directly related to farming and rural life, for example: Health, clothing, vegetable gardening, safety, leadership, forestry, tractor maintenance, soil and water conservation, pest control, and home improvement.

Work of county and home demonstration agents with adult farmers and young people is definitely pointed toward increasing income and improving the standard of living through good management. Programs emphasize efficiency, conservation, and participation in community development.

Extension, after 50 years of direct contact with farmers, recognizes the problems of low income, unsatisfactory standards, and unsafe levels of living. Agricultural leadership seems to have arrived at a fairly definite set of conclusions as to causes of persistently low-farm income and poor levels of living. Some most frequently mentioned are: farms too small, soil too poor; people not making best use of resources; level of education too low; need for longer range credit. Very often stressed are: lack of managerial ability and lack of confidence. Too few supplementary jobs, resulting in loss of young people from farm communities, was brought out by farmers testifying recently before congressional subcommittees in the South. These farmers described many of the familiar situations but in almost every case said, and this is a matter of record, "This little farm is my home and I wish to stay on it."

Working directly with families on the farm, extension agents and leaders find living examples of what happens to a family when poor soil, too few used acres, low level of education, and inadequate financing are combined. Balanced farm and home planning permits extension agents to help farm families inventory their own situations and "package" their own problems for solution.

Improvements in home and homelife probably for the first time are given as much study as production and marketing. County extension personnel gives close personal attention and advice to a limited group of families volunteering for participation in the program. Many white and colored families over the country are making rapid progress through such planning and cooperation, and others have reported on similar progress in other States.

Home economics in relation to the problems of low-income families: The basic purpose of home economics teaching is the improvement and enrichment of family life. The home economist tries to understand those influences which help to stabilize family life and train children for living fully and usefully in a democratic society. Good management, family relations, recreation, and the development of community life, all belong in a homemaking program and apply to every family member. The idea of the demonstration technique, learning by doing, is inherent in extension. To bring classroom teaching to life on the farm and in the home so that the family might profit and the neighbors might learn was the original plan. To improve diet, but primarily to help farm girls earn money, leaders with vision and imagination started the first 4-H Clubs for girls. 4-H girls who earned their way through school have become teachers, home demonstration agents, and good homemakers. Home demonstration and 4-H Clubs are still helping women and girls earn money to improve home and to broader opportunities.

Participation in extension activities produces ideas for making improvements at little cost. These simple improvements sometimes change a house into a home and give additional confidence to the family. The adoption of recommended practices in the making of clothing, for example, has helped to make improvement in the personal appearance of all rural people. This type of assistance being rendered by home demonstration agents and local leaders deals with the problems related to foods and nutrition; home management, gardening, and poultry; family health education; and citizenship activities. More than 5 million homemakers in 1954 reported changed practices made possible through assistance from home demonstration agents.

The National Administrator of Extension says:

One keystone of sound agricultural economy is a good home and a happy, well-informed family working together with others in a progressive community for benefits to all. Each year more homemakers become aware of this fact and rely on home demonstration agents to help them with items ranging from the smallest at-home jobs to countywide projects. Thus, one of Extension's major problems has been to meet these requests with its limited staff of trained home economists.

Home economics in extension makes a direct attack on problems growing out of low income; poor soil and lack of education. Larger and richer farms, purebred livestock, and better markets are very important. Teaching people to think, arousing pride, interest and hope, are more important because they are more contagious and more lasting. Increased income alone is not enough. It takes know-how to make a living, takes more know-how to make a good life. Through young homemakers, more practical projects in 4-H Club work, unit approach to farm and home problems, home economics is striking deep into the job of helping people help themselves.

What is needed to speed up the job that extension may do?

1. More and better trained personnel in backward areas.
2. More flexible plan for county and home agent in low-income areas to get inservice training without undue hardship, so we will not continue to send out the "blind (and inexperienced) to lead the blind."
3. Make work in backward areas more attractive for men and women workers with maturity and training. Too many mistakes are made at the expense of people most in need.
4. More stress on general agriculture and home economics. A college president said to me, "the generalist gets closer to the people." I might say sorghum molasses and sweet potatoes are not to be sneezed at as dietary aids. A practical, mature person who knows these things and who can make the family value those things which can be grown at home instead of troubling them with foods which are not accessible and which they probably don't like is the right sort of person to work with low-income families who haven't had too many advantages.

Extension work is organized for service and has the best possible sources of information. Extension believes that what people plan and do for themselves will last. Extension does not promise lightning changes in soil, in people, or in standards of living. Extension does believe that with knowledge and opportunity and intelligent leadership people can and will increase their earning power and make a better life.

Thank you, Mr. Chairman.

Senator SPARKMAN. Thank you, Miss Cressell.

(The complete statement of Miss Cresswell is as follows:)

LOW INCOME FARMS IN DEPRESSED RURAL AREAS

HELPING LOW-INCOME FARM FAMILIES TO HELP THEMSELVES AND TYPE OF ASSISTANCE RENDERED BY LAND GRANT COLLEGE COMMUNITY ORGANIZATION EXTENSION SERVICE; KIND OF ASSISTANCE OFFERED BY THE EXTENSION SERVICE TO LOW-INCOME FARM FAMILIES

May Cresswell, former State home demonstration agent, Mississippi State College

EXTENSION WORK IN AGRICULTURE AND HOME ECONOMICS

The function of extension is to bring the results of research to the farm for the purpose of helping the family apply that information in order that they may increase income and achieve a higher standard of living.

Assistance offered—on the farm

To the farmer extension offers help in improving his production of crops and livestock; in the use of power on the farm and in the home; in improving marketing methods; in the utilization of forest products; in soil and water conservation through drainage and irrigation and proper cultivation; control of insect pests and plant and animal diseases.

Assistance offered—in the home

To the rural homemaker extension brings assistance in housing; production, storage, and preservation of food; utilization for economy and good nutrition; clothing problems such as construction, selection, and care; house furnishings and household equipment for comfort and labor saving; wise spending of family income to provide maximum health protection, comfort, and satisfaction; health education; recreation; family relations. A program of education and growth is promoted by helping families make use of schools, library facilities, recreation, church programs, participation in community development, and civic affairs.

Assistance offered—in the community

In addition to assistance rendered through organized groups, through direct on-the-farm service and through mass media such as press, radio, and television,

extension has throughout its history helped local leadership to foster the improvement and development of community life. This activity generally begins with getting people to make a study of their own problems and situations. Often the problem families are facing arises from community situations and needs which can be improved only by concerted and cooperative action. The acute need for more jobs to supplement farm income often has very quickly come to light. If most of the young people are leaving the farm and the area, it is sometimes found that lack of jobs in the area, poor and uncomfortable living in the homes, lack of any decent recreation facilities, are the root of the problem. In organized and active communities a place in the planning is given to family members of all ages and to families on all economic levels. From Arkansas comes a report typical of what is being done by county and home agents to assist communities in a program of developing a better life for Arkansas people.¹

HOW EXTENSION WORKS

Extension's tried and time-proven methods of bringing information and science to farm families are continuously in operation. Thousands of stories could be brought showing growth and improvement by families, by communities, and by areas. Results of the work done through 4-H clubs, home-demonstration clubs, farm-enterprise groups, community groups, show increasing participation and programs definitely related to agricultural problems of particular areas.

With youth

Each year more than 5 million boys and girls enroll in 4-H clubs. From this group are coming our more successful farmers and homemakers, businessmen, civic and church leaders, teachers, home-demonstration agents. 1954 reports on 4-H results show increased participation in projects directly related to certain phases of farming and rural life, e. g., health, clothing, vegetable gardening, safety, leadership, forestry, tractor maintenance, soil and water conservation, home improvement, beautification of home grounds and pest control. These projects are with a few exceptions offered to both boys and girls. The significance of increased interest in such activities² is readily apparent as one watches farm problems of low-income areas and present day trends in agriculture.

¹ Working together: Arkansas farm families have found that working together is the key to both individual and community progress. Out of their unity of effort comes more rapid achievement of better farms and homes, wider opportunity for leadership training, more effective and widespread use of scientific knowledge and greater possibilities for setting into motion those community services and activities which make rural neighborhoods better places in which to live.

During the year, 225 communities participated in the rural community improvement program. In addition, many more communities developed group action toward improvement goals. Their collective achievements in such fields as increased farm and home efficiency, family living, increased participation in community life, recreation, fellowship, neighborliness, and community-mindedness cannot be measured in terms of either numbers or dollars. Their values are far greater than what can be assessed to them economically.

The key to rural community improvement work is leadership, growth, and development. From its inception, the extension service's basic objective has been to help people help themselves. This is leadership development and its growth is dependent on group experiences. That is how improved farm and home practices and scientific farming is multiplied across the State.

A major part of the unique system of extension teaching depends on volunteer leaders. They work with the extension service as a team to get the job done. These leaders work without pay and receive no remuneration other than the satisfaction of helping develop the citizenship and education enlightenment which makes Arkansas a better place in which to live.

² My 4-H Achievements and Experiences in My Electric Project (State electric winner. Frank Millard Raymond, Route 3, Jackson, Miss., Madison County, age 15; size of farm: 130 acres).

I began my electric project 2½ years ago. In my first year I assisted in the wiring of our milking parlor and helped arrange the outlets and switches. As time passed and the next year came into view, which was last year, I became more interested in my project. I decided I would improve my record, save money, and help my family all at the same time. Our need was for better and more use of this great power provided for great opportunities for me to improve my record and farm. I took advantage of this opportunity and began working. All the second year I repaired cords, wired lamps, repaired fans, and many other things. One day my dad said something about needing a chicken brooder. I got an idea and took an old brooder which was out of order and repaired it. I also wired a cage to put the brooder in. This was a great financial saving to the family. As my third year came around, I had a good start on my way upward. All this time we had been using electricity but not to its fullest advantage. So I got busy in cooperating with my family and our county agent and began new uses of electricity on our farm. I purchased some wire and wired the old loafing barn so we would not have to carry a lantern to the barn every night. After wiring the barn I had some wire and utensils left so I decided to fix up the old chicken house. All these things have helped greatly in making life on the farm more pleasant and convenient. Since I began my electric project, we have purchased a freezer, a television set, a window fan, and a new washing machine. These save labor

My 4-H Club Story

(Buster Davis Cole, Route 3, Oxford, Miss., Lafayette County, northeast district winner, tractor maintenance, 350-acre farm)

I am Buster Davis Cole, age 16, and eighth year in club work. I joined the club when I was in the fourth grade. I thought that I could learn a lot even though I was not of the right age, and I really did. I learned about the club organization and I also learned that you had an advantage because you got many chances to learn more about agriculture and other things of interest to a farm boy. My first year in the club I took cotton as my project, since it is the major crop on our farm. With a lot of cooperation from my father and our assistant agent I obtained more knowledge in the production of cotton and produced a 400-pound bale on an acre. It was then that I realized how much help it was to be a club member and follow practices recommended and proven. This was the beginning of soil sampling for me, which I have come to realize is also a great help in farming. That first year I also learned a lot by watching the assistant agent give demonstrations on how to make a better pasture and get the best results from side-dressing. We had many interesting joint meetings with the girls' club. We learned to prune and care for shrubbery, control household pests, and how to have better table manners. The second year I had corn for a project. I had 5 acres with soil sampling along with other good practices. My net profit was \$463. For my third year I had wildlife as my project. My fourth year project was corn. I harvested 424 bushels of corn off a 5-acre plot. My sixth year I had cotton and corn as a project. On 5 acres I gathered 350 bushels of corn. On 1 acre of cotton I harvested 2,256 pounds of seed cotton which made an 850-pound bale. My seventh year I took as my projects: Tractor maintenance, cotton, corn, leadership, and terracing. I was county winner in cotton and corn with 5 bales of cotton on 5 acres of land. I had 104 bushels of corn from an acre of land. I was county winner in tractor maintenance.

My Soil and Water Conservation Project

(Charles H. James, Route 2, Carrollton, Miss., Carroll County, age 18, farm 80 acres)

We have about 20 acres of land on our farm that is too steep for cultivation. Some of this is also too eroded for pasture. The 5 acres that I thought best for pasture were cleared of the bushes and broken up in the spring. I then terraced this land and seeded it in a mixture of Dallas grass, Bermuda, and common lespedeza. I put 300 pounds of phosphate, 100 pounds of potash, and 100 pounds of ammonium nitrate to the acre on the land and harrowed it all in. I got a good stand of Bermuda and lespedeza and a fair stand of Dallas grass. I haven't grazed this area much, but next year I will have a good pasture. I also plan to put out 1,000 pounds of basic slag per acre this winter. On the washed and gullied land I am setting out pine trees and building erosion-check dams in the gullies. We are now planting all of our row crops on bottom land and have found that by using more fertilizer and growing a good cover crop on the land we can produce more on less land and also put all the land on our place to better use.

Happier Living Demonstration

(Willie Estella Moore, Clay County, Miss., colored farm girl)

Willie's work as a State winner in the happier living demonstration in 1953, is still a source of inspiration, not only to her family, but to those who were influenced through her efforts to move in the little settlement where no one was living. Her home, which she prized very much is still being well kept. Her father has put a white picket fence around the house, installed an electric pump,

and add comfort to living. Through the years I have found farm and home electricity one of my more important projects and I have tried to develop it.

My family and I own and operate a modern milking parlor which is very efficient in the use of electricity. This is very modern and I am telling you it surely saves time and labor. I have completed two records in this project. There is no other power which is more efficient in saving and serving. If only people would learn to use it to better advantage and to respect its powers.

improved the garden spot and purchased 108 acres of land adjoining the place. Her grandfather has improved his surroundings by building a very nice barn and storehouse. The others have improved the surroundings also which makes the little settlement very attractive to the passerby.

PLANNING FOR PROFIT

Work of county and home demonstration agents with adult farmers and rural women and young people is pointed toward increasing income and improving the standard of living. Programs in all the States emphasize: improvement of efficiency in production of livestock and crops; lower cost of production through adoption of improved practices; control of plant and livestock diseases and weeds; soil and water conservation through prevention of erosion, use of irrigation, and other recommended practices; improvement of marketing opportunities and participation in community development.

Extension, after 50 years of direct contact with farmers and farm situations recognizes the problems of low income, unsatisfactory standards, and unsafe levels of living on many farms. Extension directors, county and home demonstration agents, and specialists in all sections of the country, seem to have arrived at a fairly uniform set of conclusions as to underlying causes of persistently low income and resulting poor levels of living in certain areas and in certain groups. Some most often mentioned are: farms too small; soil too poor; people not making best use of resources; level of education too low; needless expense and lack of efficiency due to health³ problems; need for longer range credit and knowledge of business-like use of credit as a resource; lack of managerial ability; lack of self-confidence; clinging to the little wornout farm because they love it and it is home. Loss of young people from farms is a serious and often mentioned problem. Farmers testifying recently before agricultural subcommittees in Mississippi and Alabama referred to many of the same problems and situations.

Working on the farm and in the home helping the families analyze their own situations, extension agents and specialists are finding concrete examples of what happens to the farm and to the family when poor soil, too few used acres, low level of education and inadequate financing get together. W. R. Thompson, the pasture man of Mississippi, says, "One of the problems of the little farmer in purchasing a farm is the land offered for sale in his buying range

³ EXTENSION AGENTS GIVE ASSISTANCE WITH HEALTH PROBLEMS

Losses in human efficiency due to the hookworm disease were going almost unnoticed in Smith County until about a year ago, when the Smith County Home Demonstration Council began an educational program to wipe out this health menace. While not nearly as common as it was a few decades ago, the hookworm disease is still a problem in Mississippi. Results are favorable after just the first year of this campaign in Smith County. About 1,900 people in the county have seen a film presentation on the subject. This included members of 15 home demonstration clubs, 11 4-H Clubs, and 4 organized communities. Partly because of this educational effort, 8 families have built indoor bathrooms with safe sewage disposal, and 5 others have constructed outdoor sanitary facilities of the recommended type. This is the chief means of controlling the spread of hookworms. Each community has a large map with symbols showing the type of sanitary facilities at each home. The program urged those who thought they might have the hookworm disease to be examined and treated if necessary by the county health department. Emphasis was put on the danger of children or others walking without shoes on soil likely to be infested with the worms. The many inquiries about the subject showed that the people are interested. Many precautions were probably taken that were not reported. This project is necessarily a longtime one and will be continued, said Miss Bessie McCoy, home demonstration agent of Smith County. Mrs. Inez Sumrall is president of the Smith County Home Demonstration Council which Miss McCoy assists. Many other groups and individuals are taking an active part in this campaign. Persons who have actively assisted include Miss Meadie Montgomery, extension health education specialist, and the State board of health, Jackson, Miss.

4-H Club health demonstration probably marked the real beginning of this far-reaching project, Miss McCoy pointed out: In June 1954, Miss Maxine King and H. G. Winstead, Smith County 4-H'ers, presented a demonstration on hookworms at State 4-H Club Congress, State College, Miss. This placed first in the State in 4-H health team demonstrations. This demonstration did much to interest the Smith County Home Demonstration Council in the hookworm problems. The council adopted the education program on it in October. The charts used in the Smith County 4-H health demonstrations, prepared with the assistance of the health department, showed an estimated 3,000 cases of hookworm disease in the county in 1952. This is a conservative estimate. The loss of (more) blood from the average patient having this disease is about a pint every 2 weeks. The 4-H members agreed to take charge of the community map and enter on them improvements made. Valuable assistance to this educational effort was given by the local weekly newspaper, the Smith County Reformer, the REA News, and other papers. "People today don't recognize the hookworm disease is so much of a problem because most of them have fairly well balanced diets, which keep the symptoms of hookworm from showing up as they once did," Miss McCoy pointed out. The hookworm disease does not kill generally, but makes people tired, weak, and pale, the health officials pointed out.

is often poor quality. Top quality soil in small farms is seldom offered for sale. The question often comes up, does the small farmer have the same opportunity to use research information as the large farmer? He has the same opportunity, but not the same soil to use it on.

"A. J. Waits, Goodman, Miss., is a good example of a man starting on a small piece of land and realizing that it was not enough land to afford him a living he bought more land of a different soil type and used every bit of the information that extension had to offer. Today he is classified as one of our best soil conservation and production farmers and he has a place in the community that any other business man has. One of the hopes of the small landowner is to raise his production per acre so when his labor covers an acre, it has a value.

"In 1955, the predicted yield of cotton is 529 pounds of lint per acre. Many farms will average 2 bales of cotton per acre and many cuts on different farms will yield as high as 3 bales per acre. The corn yield is estimated as 30 bushels per acre and there are thousands of acres that will make 75 bushels per acre. Some farmers who used all the recommended practices on corn made 125 to 150 bushels per acre, but it was just because the soil was capable of producing high yields under these practices. Poor soil types would not have done it.

"Many small farmers do not carry out recommended practices because they don't have the finances to do them. Oftentimes their borrowing ability is not enough to get the money to do the practice and from their own experience on the land they have a fear that the practice won't pay off because they know the land. There are many small farms that would produce a good living for the family if well managed. There are many farms too small to make a living for the family and some soil types that won't make a living regardless of practices or size.

"Some of our top agricultural workers of the Nation came from small farms showing that the soil didn't have an everlasting effect on the human being himself, but had he come back to the small farm, it would have had a direct bearing on his health, outlook, and standard of living. What I think the low-income farmer needs on his existing farm is specific help in raising his per acre production and balancing the farm so he will get more for every hour of labor he puts in.

"Where work is available more low-income farmers need to be encouraged to do part-time farming and part-time public work, but they first need help in analyzing the farm and home situation setup and studying the production power of the farm. He does not need someone to tell him to do better. He needs someone to tell him how to do better and what specific things should be done in the process of doing better."

James S. Therrell, leader extension forestry, State college, Mississippi, believes that good farm management also includes proper use of land unfit for growing crops or even for pastures. He says, "the average size farm in Mississippi is approximately 80 acres, but this does not necessarily mean that the farmer with small acreage is the farmer with small income. Many of the well-managed farms are more productive than some large ill-managed farms. In general the low-income farmer is associated with poor land. The farm income from row crops alone is inadequate to maintain a desirable standard of living. The solution to this problem lies in working closely with this landowner and his family, to assist in making management decisions to meet the present emergency and to start on a program to reclaim the land which he has had to abandon under the current practices. This is the basic philosophy of the unit approach to farm and home development.

"Much of the land has been depleted and eroded and mismanaged to the extent that it is now suitable only for timber production. Through financial assistance from the agricultural stabilization and conservation program, this land can be put back into production while the land owner earns wages for his work in so doing. With a supply of raw material, we could insure the life of these industries and bring in new industries to help take the strain off the land, by furnishing off-farm employment. The United States Forest Service estimates that 8,000 acres of well-managed timber lands will provide 100 new jobs. It is necessarily a long program but can be carried on through the educational activities of Extension Service giving personal guidance to the landowner and helping him to make use of currently available assistance, information, and markets."

Hundreds of reports from families doing farm and home planning are on record. Following recommendations of extension workers who have assisted in analyzing the farm and home situation, many families are showing remarkable progress and gaining courage to do things they have not believed possible. Limited extension personnel—often one agricultural agent and one home demonstration agent per county—have made the group approach necessary.

The recent addition of 4-H Club assistants and associate agents has made it possible for a limited number of counties to put into effect a closely supervised on-the-farm plan by which a number of families get direct personal assistance from a trained agriculturist and a home economist working together with the family as a unit. With all county leadership informed and pushing, these families are setting up longtime plans made on the farm to fit the needs of the individual family. Under the guidance of county and home demonstration agents already known and trusted, with farmer, homemaker, and children fully understanding the plan and working together, many low-income families are overcoming heavy odds, making more money, improving the home while the family is young enough to enjoy home life.

South Carolina believes that the farm-home unit approach is a good method of reaching more farm families. The director of extension says, "the balanced farm and home planning is designed to give assistance to farm families in placing an economic base under each farm by careful planning and full use of scientific information in the production and marketing of adapted crops and livestock, and in the development of a good standard of farm living. During 1953 county extension workers assisted 341 farm families in planning and carrying out balanced farming plans on their farms and in their homes * * * of these families, 56 were presented with awards of merit by the extension service and their respective county agricultural committees for outstanding accomplishment in good farming and good homemaking.

The report on the agricultural progress in South Carolina will show that the farmers are going forward with their program to improve the agriculture of the State. They continue to make marked advances in conserving and improving their soils, and in balancing their traditional cotton, tobacco, and truck crops system of farming with increased numbers of high quality livestock, backed up by expanded acreages of improved permanent pastures, annual grazing crops, and other feed and forage crops. Efficiency in production and marketing continues to improve through more widespread use of scientific methods and mechanization, and the adoption of laborsaving practices on farms. Farm homes are being modernized and improved, and farm living made better by the increased use of laborsaving home equipment. The number of tractors in use on South Carolina farms increased from 10,000 in 1943 to 53,000 in 1953."

A Mississippi family diversified largely because of a son, Arlon, in 4-H Club work is planning further progress with assistance from the agricultural extension service, this time as participants in the balanced farm and home planning. This is the L. E. Moody family of the Ellison Ridge community. All of their income comes from the 120-acre farm. Evidence of their success includes the modern home which they built a little over a year ago. A good live-at-home program, together with a favorable balance between crops and livestock production, are outstanding features of this farm. It was once an all-cotton operation. Mr. Moody's cotton allotment this year is 10.3 acres. He usually averages a bale per acre or more by following recommended practices. He and the son grow 14 acres of corn to help feed their 9 registered Jerseys, 2 Duroc sows, and the market hog offspring from these sows. The son has produced as high as 80 bushels of corn per acre. They have 40 acres of improved pasture, plus adequate oats, rye grass, and clovers for seasonal needs. The dairy, swine, and sheep enterprises on this farm got started through Arlon's 4-H Club work. In dairying, they are gradually increasing their milk production through better management. They average saving over 10 pigs per litter and feed these to be marketed at from 215 to 230 pounds each. Sheep production is of growing importance to this family. They began this enterprise 5 years ago when Arlon arranged through his 4-H Club program to purchase 4 ewes and a ram. He paid for these the first year. The family also has 50 laying hens and sells eggs in excess of what they can use. They have also started an orchard of peach and apple trees.

Balanced farm and home planning permits extension service agents to help farm families inventory their situations, and put all of their problems into a single packaged approach for solution. Improvements in the home and in better living are given as much emphasis as crops and livestock. Through regular visits from both associate county agents and associate home agents, families in balanced farm and home planning receive know-how which enables them to make improvements at a more rapid rate. Improvements on the farm and in the home are paid for from higher farm income resulting from increased yields, adding supplementary enterprises, and changing the system of farming in some instances. White and colored farm families alike have succeeded through planning and

family cooperation. Ned Taylor and his wife down in the hills of Pike County started out as tenant farmers with a low income but after a few years of hard work and management they were able to rent a farm. After renting a while they decided they could do a better job if they had a farm of their own. They purchased a farm with 60 acres, built a 4-room house and lived in it until they were able to make improvements. Now they have a modern farm of 75 acres and a comfortable 7-room house with bathroom equipped, gas installed, hot and cold running water and a home freezer.

On the farm they have purchased a tractor; improved pasture; put in a trench silo and followed all recommended practices given by the farm and home agents, including terraces, plantings of crimson clover, white dutch, rye grass, fertilization of native grasses, putting out of 2½ acres of tung trees, 5,000 pine seedlings on an area too steep for row crops or pastures, an increase in corn production from 35 to 86 bushels per acre. In cotton production from one-half to one bale per acre with increased fertilization, poisoning and recommended seed.

The Taylors, who have 7 children with 4 in school as 4-H Club members, have worked hard with the farm and home-community-development program. They have a balanced farm and home plan with their farm and home serving as a demonstration. Most of their food is raised at home where enough is stored in the home freezer to take care of the needs of the family. With their year-round garden, 8 cows and 5 hogs they buy only flour, sugar, rice, seasonings, cereals and a little fruit and cheese as they need it.

Mrs. Taylor, as chairman of the home improvement project in the community development program, member of the Home Demonstration Club, and secretary of the Sunday school, leads a busy life and can appreciate her washing machine, refrigerator and other conveniences including an electric sewing machine which was included in her 5-year farm and home plan. The Taylors have recently purchased a registered Aberdeen Angus bull, a Duroc Jersey gilt and added a pond and plans to continue to take part in the farm and home planning.

HOME ECONOMICS IN RELATION TO THE PROBLEM OF LOW-INCOME FAMILIES

In the United States the basic purpose of home economics teaching has always been the improvement and enrichment of family life. Through the years the scope of home economics has broadened to include not only the arts and skills involved in providing food, clothing and shelter for the family, but the study of all economic, social and spiritual aspects of family life. The student of home economics tries to understand those influences which help to stabilize family life and train children for living fully and usefully in a democratic society. Good management, sound family relations, recreation for all family members, participation in the development of community life, all have a place in a homemaking program. Home economics has something interesting and useful to offer not only to women and girls, but to every individual who expects to live comfortably, healthfully and usefully.

Home economics in extension has long been named home demonstration. The idea of the demonstration, the "showing by doing," the "picture on the ground," is inherent in agricultural and home economics extension. To bring classroom teaching of life on the farm and in the home, so that the family might profit and the neighbors might learn, was the idea behind the first tomato clubs and corn clubs, and demonstration plots. Back in the early 1900's many farm families were poor, the diet inadequate, the surroundings bleak and the people discouraged. To improve the diet, but primarily to help farm girls earn some money, a schoolteacher with vision and imagination started the first tomato club. The first products laboriously packed into the tin cans were peddled from door to door. No records are in existence to show how many girls paid their board in county agricultural high schools with canned tomatoes, and peaches, and beans. Home economics students who became teachers and home demonstration agents, and fine homemakers often made their way in college through 4-H Club work. They are still coming to college and out into the professions by that route. Those stories, even in 1954 and 1955, are so numerous they have almost become standard. Home demonstration clubs, too, are still bringing farm women opportunities for earning money to improve homes; to buy schoolbooks; to pay for laborsaving equipment; to finance treatment for eyes, teeth; for a hundred needed services.

Aside from actual dollar and cents earning 4-H clubs and home demonstration clubs give girls and women opportunity to learn ways of improving their homes at little cost. Some of the activities of girls and women in extension groups may not look very important at first glance, but to one who knows the

meagerness of life in many rural homes they have meaning. The window curtains, the rag rug on the floor; the fresh paint on the wall, the furniture made of apple crates; the serving tray made of aluminum roofing which will really hold up 4 cups of coffee and won't rust, the simple home conveniences may make the girl or the boy proud to bring their friends home. It may mean they are learning to make home a good, clean place to live some day. There are a thousand examples of the schoolgirls and their mothers who can have warm coats and suits and attractive dresses at little cost because they learned in home demonstration and 4-H clubs to cut, and fit, and sew their own clothes. A reason very often given for families failing to go to church, to participate in community affairs, is the lack of suitable clothing. The change that has come about in the personal appearance of rural people is notable. Many factors have contributed to this as to all material improvements in rural life, but the lessons learned by rural women and girls through their home demonstration agents is not the least of these. Dad and the boys too are learning to dress more appropriately and to buy more sensibly. Nearly 3 million homemakers reported in 1954 that they received help with clothing problems directly from home demonstration agents or from local extension trained leaders. Assistance rendered with clothing problems is given as illustrative of the service to rural homes. The same kind of assistance was rendered with problems in foods, home management, family health problems, and citizenship activities; poultry and horticulture. More than 5 million homemakers in 1954 reported changed practices made possible because of help from home agents or leaders previously trained by home demonstration agents.

"One keystone of sound agricultural economy," says the National Administrator of Extension, "is a good home and a happy well-informed family working together and with others in progressive community for the benefit of all. Each year more homemakers become aware of this fact and rely on home agents to help them with items ranging from the smallest at-home jobs to communitywide projects. Thus one of Extension's major problems has been to meet these requests with its limited staff of trained home economists."

Another man, Dean Theo. C. Blegen, University of Minnesota, speaking of family living says "Family living is simple enough as a phrase but its elements are manifold and complex, for the home is the focus of our lives, its front yard is the community and the community reaches out to the world."

Home economics is bringing this teaching to bear on the problems of low income and poor land, meager education, poor housing and equipment and failure to belong anywhere. Larger and richer farms, better livestock and more money are important. Changing the thinking of the people, giving them something to believe in for the present and hope for the future, a home to love, to live in with pride, a respected place in the community—these things are more important because they are more contagious, more lasting in effect. Increased income alone is not enough. It takes know-how to make a living; it takes more know-how to make a good life. Home economics in Extension has made and is making a hard fight to bring help and inspiration to all the people, in all areas. Those who have attained some degree of success are always more easily reached, but through leaders working and planning directly in the home, the situation is rapidly changing even where farm income is very low. The number of young homemakers in home demonstration work in all States is on the increase. Checks are made regularly by the women themselves to be sure that young families are being reached. Through these and through the thousands of 4-H club girls, home economics is striking deep into the job of raising economic levels and living standards for the future.

WHAT IS NEEDED TO SPEED UP THE JOB

More attention to local leadership

Extension is established and accepted in the minds of people; extension has the organization and the techniques; extension knows the field. Trained and experienced local volunteer leaders are at work helping to spread information and give the inspiration. More such leaders must be found and trained and used.

More and better trained personnel is needed in backward areas where the job is heaviest. There is at this time a scarcity of high class agricultural and home economic personnel available for State and county positions. The best are often picked off by commerce and industry after a few years on the job. In low income areas salaries are usually low. States and counties with more resources can offer strong inducements. Low-income families and underdeveloped communi-

ties are hardest to reach. They need the advice and guidance of the best trained leadership available with mature judgment and confidence based on experience. Somehow we should make it possible for such workers to stay on their jobs in neediest areas. New agencies and inexperienced workers are too often allowed to make their mistakes in the areas where people and communities are most in need of assistance.

Better training needed

Some provision for professional workers in extension agricultural and home economics to get additional schooling and more opportunities for observing work in other areas without bankrupting themselves. A county agent with children to rear and educate has a hard time finding the money for even occasional short periods away from the job. Many of these agents—men and women—go into counties with little experience and if the truth were known—inadequate training. They are honest enough to feel the need for improving themselves. The States have made some progress here but the provisions for advanced training are still meager. If modern farming calls for informed and intelligent farmers it truly calls for highly trained and up-to-the-minute professional leadership.

Helping the people to help themselves

Planning on the national level will bear fruit only when the people themselves have a part in the planning and faith in the leaders who are trying to interpret information to them. Extension has a sound foundation in research and a corps of volunteer leaders trained and dedicated to reach those who need help. Extension teaching and planning look for no quick, miraculous changes in people, in land or in living standards. Extension believes that what people do for themselves will last, that given knowledge and opportunity and intelligent assistance, the people themselves will do most to increase income and will learn to use income for achieving better living standards.

Senator SPARKMAN. Miss Lowry.

**STATEMENTS OF MISS EDITH E. LOWRY, EXECUTIVE SECRETARY,
DIVISION OF HOME MISSIONS, NATIONAL COUNCIL OF CHURCHES
AND DR. LAURIS B. WHITMAN, EXECUTIVE DIRECTOR, BUREAU
OF RESEARCH AND SURVEY, NATIONAL COUNCIL OF THE
CHURCHES OF CHRIST IN AMERICA**

Miss LOWRY. Mr. Chairman, Dr. Whitman will share this presentation with me. It is a statement on the churches' concern for the problem of low-income rural people.

We express our appreciation for the interest and insight already shown by this committee. It is a privilege to be able to participate in this way in the present hearings. This constitutes another step in a long history of cooperation on the part of the churches in fields such as child labor, health services, housing, and agriculture. It is consistent with the best elements of our national and religious heritage to seek to bring to bear upon the problem of poverty our best and our united resources. At the local level the churches offer an invaluable resource, and at State and national levels we believe that you will find the churches, both as denominations and within the structure of their cooperative councils, ready and able to help.

It seems unnecessary to begin this statement with a documentation of the churches' concern for the low-income rural people of America, but a few words may be in order. It is an interest of the churches that it be possible for all people to obtain a full life and to contribute creatively and effectively to society. Christian social justice keeps before us the problem posed by the relationship between our rising standard of living and the "pockets of poverty" in which many of our people live at a definite disadvantage. It is frequently this love of justice,

inherent in the ethical standards of our Nation today and which originated, in large measure, within the churches which awakens the conscience of the Nation to problems such as the one before us today.

Not only do the churches have a major theoretical involvement in the low-income situation, but they are actively involved in a practical way. There are many churches in these areas of underprivilege. These local churches are numerous, small, and often inadequately structured for the most effective religious work. Yet they are closely related to the lives of the low-income rural people and often provide their most frequent opportunity for social participation. It is often true that aside from the public school the local churches have the most direct and continuous contacts with these people. Any program designed to deal with the social and economic factors of low income would do well to consider the possibilities of using the existing pattern of religious organization and participation in reaching the people and developing their interest, involvement, and cooperation.

It should be pointed out realistically that the churches have a real stake in the solution of the low-income problem. If they are to meet the needs of these areas effectively strong churches must be developed. The effect upon the churches in these areas of economic disadvantage has been shown by a number of competent studies. The churches have inadequate buildings, often deteriorating or dilapidated buildings. Their financial situation makes it impossible for them to obtain the trained leaders they need. Their problems are seriously limited. In other words, they, too, are caught in the vicious circle of poverty and its consequences and their effectiveness, even the significant survival is threatened.

Senator SPARKMAN. Miss Lowry, in your mimeographed paper it says "their problems." You mean their "programs"?

Miss LOWRY. I am sorry, that is a typographical error. It is "their programs." Thank you.

Senator SPARKMAN. Go ahead.

Miss LOWRY. It is to be hoped that there is awareness on the part of this committee of the fact that churches have been struggling with the problem of inadequate income at a number of points.

One illustration is the rural extension program of the National Council of Churches' town and country department. Essentially a leadership training program, aimed at the strengthening of community organization and the improvement of the local church, this effort has provided for many rural church leaders an opportunity to learn elements of sociology, economics, and related subjects essential to more effective leadership. The cooperation of such educational institutions as Tuskegee Institute has contributed greatly to the program.

In several areas there are now church extension specialists, similar in some ways to county agents, who play an important role in helping to develop community councils, guiding people to available agencies for assistance of many kinds, and breaking down resistance to desirable social change.

In spite of these constructive efforts, church leaders feel that they have not been able, on the whole, to cope with the problem of low income and its blighting consequences. It continues to haunt them as

a denial of the very justice they proclaim and a roadblock to an effective Christian ministry in the areas involved.

Another area in which the churches have been active is that of the migratory farm worker, who is at the bottom of the barrel for whom even a limited service available to resident low-income farm families are not available to migrants because of their constant movement. Working directly in the migrant camps, the churches have stimulated the concern, the interest, and the cooperation at the local level of churches, health, education, and welfare groups, employers of migrant labor, and the migrants themselves in improving working and living conditions through a wide variety of activities, such as day-care centers, recreation, adult education, club activities, counseling, and community and grower cooperation. At the State level, the churches have had a part in the establishment of governors' migrant committees to stimulate and coordinate the approach of the various State departments to the problem in their respective States. Likewise, the recently appointed President's Committee on Migratory Labor now provides the channel for Federal agencies to coordinate their efforts. We are beginning to see the great value of the team approach by public and private agencies at each level.

The ministry of the churches now under way in 27 States, and carried forward with the closest cooperation of these units representing the public agencies at all levels, is an expression of the churches' concern for one segment of the low income population in rural areas.

At this point, Mr. Chairman, Mr. Whitman will pick up on the presentation.

Mr. WHITMAN. Mr. Chairman, I am glad to pick up our testimony at this point, and I want to thank you, too, for accepting the request of the National Council that I come along with Miss Lowry, and add some comments to our report.

I assure you, however, that Miss Lowry is quite competent to stand on her own, and that it was only a desire to have another aspect of our total program presented.

There is a genuine interest in the churches in the programs proposed to deal with the various aspects of the problem and a sincere desire to help in any way possible. A few suggestions are advanced here as to ways by which the churches can be of help.

We believe that the church does not exist in a vacuum. It operates as a social institution in the community, and the national council maintains a constant program of study and research to try to discover how to make the churches more effective, both as ecclesiastical units and social institutions.

A recent study by the bureau of research and survey of the National Council of Churches, entitled "The Churches of Low Income Farm Families in Two Southern Communities," focused attention upon the cultural aspects of the situation, suggesting that the effective implementation of any program for low-income families would depend upon an understanding of these cultural variables. Among these differences which have been derived from the culture of the area are variations in values, attitudes, and work patterns. Materials presented for the use of this committee seem largely to overlook this factor. It is one thing to design programs for meeting economic and social needs. It is an-

other thing to put them across in areas of cultural differentiation. And the churches should understand this after years of missionary endeavor at home and abroad. This is already recognized in our technical-assistance programs around the world, and definite provisions are made for the inclusion of trained personnel with sociological and anthropological insights in program operations.

The problems may be different, the cultural differentials less spectacular, but it is nevertheless true that the success of any program aimed at the needs may succeed or fail in terms of its effectiveness in dealing with these cultural variables.

Our study seems to indicate that in the area of church work we have not given enough attention to these cultural components. In foreign-mission work, where the differences are more striking, they have been considered. In areas like the low-income section of the South we have often assumed that the same approach that works in rural New York State will succeed here as well. The results often seem to indicate the error in such an assumption.

We point out this element on the basis of our study and experience, in the hope that programs now being developed to deal with the low-income situation will not overlook this important element.

Furthermore, it would appear that church leaders can contribute to an understanding of the cultural aspects of the problem because of their continued contact with the people and their needs through the churches. They stand ready to help in any way possible.

It is also felt that this is one element of the total problem that needs further study. In addition to the research already done, there can be valuable contributions made by a careful look at the cultural aspects and their relationship to the economic and agricultural aspects. Some studies already made throw light on the questions involved, but it is still an area of needed exploration.

Also on the basis of our own study of the issues we suggest that the only realistic approach to the low-income problem is a team approach with a strong local community orientation. Because of the interrelatedness of the many components of the total situation, it is impossible to compartmentalize the solution. The county agent cannot attack the issues alone. Neither can the representative of the land-grant college nor the local minister. Only by teamwork at the local level can a solution be worked out.

Only our analysis of the communities previously referred to lead us to urge consideration of the formation of teams composed of technicians, sociologists, or anthropologists and church representatives to relate the proposed programs to the local situations. This is not a new approach but would represent a new application of the approach to a critical national problem.

Our study likewise points out the importance of the local power structure in further complicating the task of helping the low-income rural families. The very position of disadvantage they occupy economically relegates them to a position of weakness in the power structure and as a result further adds to their economic disadvantage. In the communities studied it appeared that the programs intended to help the people improve their conditions were often missing their mark and reaching instead the people in the positions of advantage

and greater security. Such a comment does not constitute a criticism of the agencies involved. It merely reflects a situation that is the logical result of local conditions. And it points up the need for a full recognition of the local situation and the involvement of as many people as possible at all community levels in the program being considered. Obviously the churches are interested in serving all of the people within the community and in coming to grips with the low-income problem. The churches and the community as a whole must work as partners. Again at this point the churches can provide leadership which can help to interpret the proposed programs, public and private, and, at the same time, play a significant role in assisting program leaders to develop needed understanding of the community.

These suggestions would be incomplete without some reference to the factor of racial segregation and its effect upon the low-income situation. This brief summary statement is no place for an extended analysis of segregation. The National Council of Churches is already officially on record in support of desegregation and racial integration. It appears to be true that for some people there is little hope of raising their standard of living as long as they must occupy an inferior place in society. Recognizing the problems involved and the necessity of working within the existing framework, of beginning where we are, it seems, however, that any long-range program for dealing with the low-income problems will, of necessity, involve an attack upon segregation itself.

In concluding, may we assure the committee of the willingness of the churches to cooperate in every way possible. The problem before us today seems to be an area where effective cooperation is both possible and highly desirable.

Senator SPARKMAN. Thank you very much, Mr. Whitman.
Now, Mr. Varner.

STATEMENT OF D. B. VARNER, VICE PRESIDENT, MICHIGAN STATE UNIVERSITY

Mr. VARNER. Senator Sparkman, you have before you a statement which has been submitted, which is longer than I should like to read at this time, and I therefore shall reflect on some of the major points in the statement.

Senator SPARKMAN. The statement will be printed in its entirety. (The statement referred to is as follows:)

THE LOW-INCOME FARM PROBLEM IN MICHIGAN AND THE ROLE OF THE STATE LAND-GRANT UNIVERSITY

D. B. Varner, vice president, Michigan State University

In this presentation I should like first to give some impression of the nature and extent of the low-income problem in Michigan agriculture. Next I should like to divide the problem into its several parts, which call for different policy approaches. Finally, I want to discuss how the Agricultural Extension Service and the land-grant colleges can be geared to assist more effectively in solving an important part of the low-income problem.

According to the 1950 census (only part of the tabulations from the 1955 census are now available), 4 out of every 10 Michigan farmers (or 63,707) had incomes

from agriculture of less than \$1,200 in 1949. There were 30,658 more farmers who reported farm income between \$1,200 and \$2,500 for 1949. These farmers have been separated into several classifications, as shown in table 1. Their geographical distribution over the State is shown in map 1. You will note that there is a concentration around Detroit, in the upper part of the Lower Peninsula, and in the Upper Peninsula of Michigan.

Looking at this map raised a number of questions in our minds, especially for the area northwest of Detroit. Attached is a supplementary summary statement prepared by Milton Steinmueller, who is working with Dr. Raleigh Barlowe and Dr. Lawrence Witt, members of the department of agricultural economics, Michigan State University, on these low-income problems. In this he has tried to analyze the census materials to obtain some idea of the different kinds of people represented. However, it is clear that to be able really to judge the relative importance of the reasons for the existence of low income it will be necessary to do some special studies. We are currently trying to arrange for some cooperative work with the United States Department of Agriculture, but have not yet been able to work out some of the important details.

It seems to us that in Michigan and many of the nearby States we need to think of the low-income people in at least the following terms:

Some of them are social-welfare cases who happen to be living in rural areas. Some of them are widows, widowers, older orphans, people with physical handicaps, severe health problems, or older people unable to put forth the physical effort necessary to do an adequate job of farming.

Some of the people are rural residents whose source of income is almost wholly outside of agriculture.

A third group are part-time farmers, many of whom make an adequate income when their farm and nonfarm incomes are combined. The census does not report nonfarm income for either this group or the rural residents. The attached report, however, does indicate that some part-time farmers do not have a large nonfarm income to add to their farm income.

The final group is composed of farmers whose resources and knowledge of modern agriculture are so limited that they are unable year after year to do much more than subsist. This is the group on which I wish to center attention. Most of the farmers in census class VI appear to be of this type. Their distribution in Michigan is indicated by map 2.

Briefly, it seems to me that the first group needs to be dealt with by welfare agencies, social-security programs, agencies providing medical services, and others of this type. The nature of their problem is such that agricultural agencies are not able to help them until their present pressing but nonagricultural problems are solved.

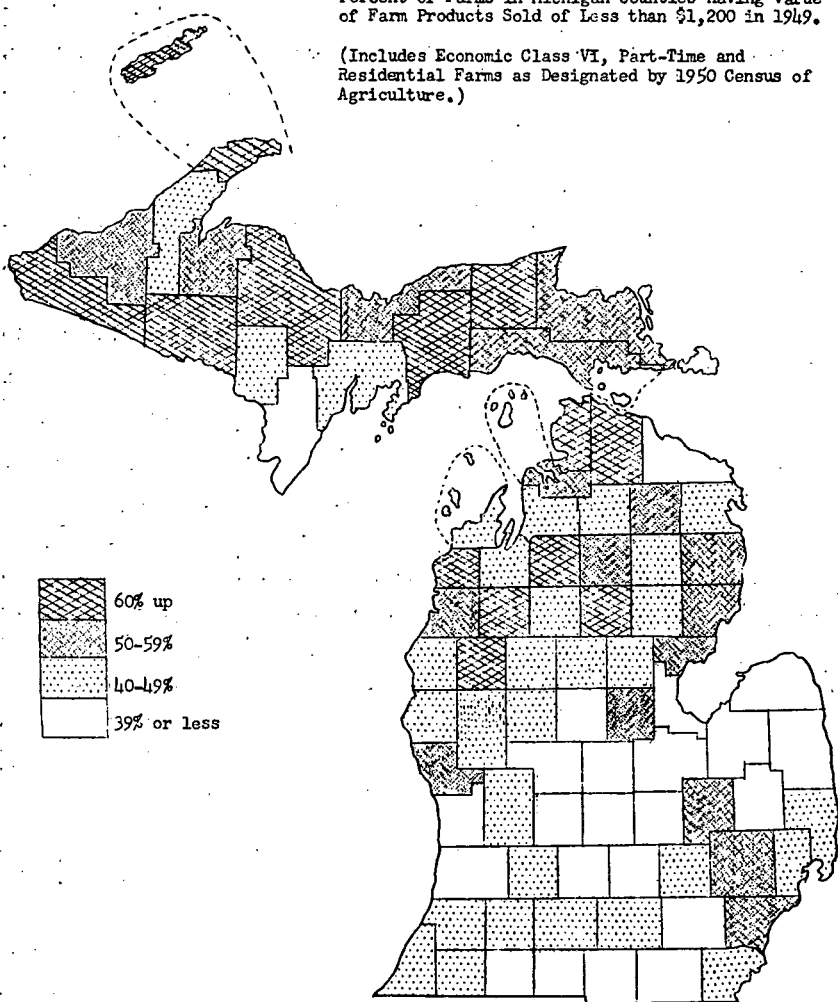
TABLE 1.—Farmers in Michigan with farm incomes less than \$1,200 in 1949 divided by types, and with farm incomes between \$1,200 and \$2,499, with percentages

Groups	Percent of all farms	Percent of group	Number of farms
Economic class VI. (Sales of products between \$250 and \$1,199, operator worked less than 100 days off farm and all family off-farm income was less than value of products sold.)	9.7	23.7	15,084
Part-time (Sales of products between \$250 and \$1,199, operators worked off farm 100 days or more or the off-farm income of family was more than value of products sold.)	15.5	37.7	24,023
Residential (Total value of products sold less than \$250.)	15.8	38.6	24,600
Subtotal	41.0	100.0	63,707
Economic class V (Sales of products between \$1,200 and \$2,499.)	19.5	-----	30,381
Total	60.5	-----	94,088
Total farms in State	-----	-----	155,589

MAP I

Percent of Farms in Michigan Counties Having Value of Farm Products Sold of Less than \$1,200 in 1949.

(Includes Economic Class VI, Part-Time and Residential Farms as Designated by 1950 Census of Agriculture.)



The second group—the rural residents—appears to be largely a nonagricultural problem. We need to know more about their income situation but again it appears that these are largely outside of the scope of the agricultural agencies.

The third group—the part-time farmers—includes a mixture of types. Some are younger farmers trying to build up resources so that they may find their way into full-time farming. Others may have a combination of farm and non-farm work which is satisfying and financially rewarding, but want to hold on to the land because of the feeling of security it provides or the pleasures of a rural environment. Still others are older people moving toward retirement and future migrants on their way out of agriculture. Many of the individuals in each of these subgroups can be helped in appraising their situation and its possibilities by the Agricultural Extension Service along with those belonging in the fourth group.

This fourth group includes at least two subgroups. One includes older farmers living in semiretirement, possibly renting out much of their land but keeping enough to occupy their time while they live out their lives in accustomed surroundings. Others appear to belong to a lost generation who were too old to adjust to the opportunities and challenges of the forties and are now bypassed

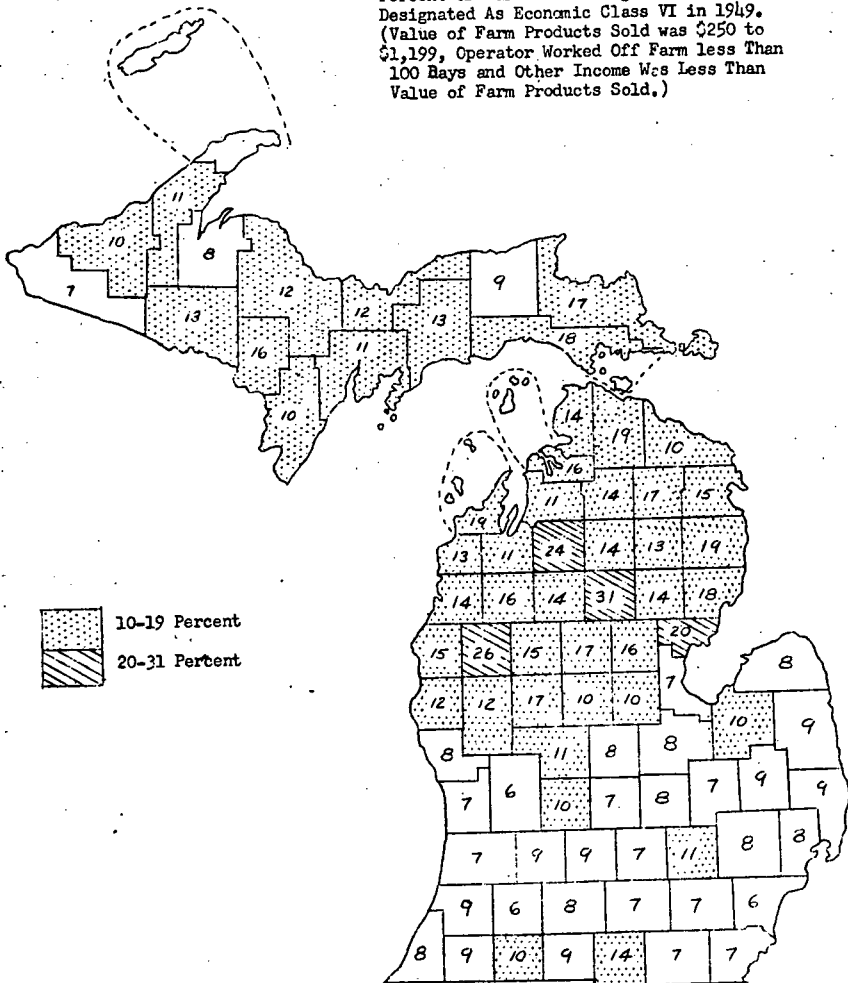
by the mainstream of economic change and development. Another large part of this group appears to be composed of individuals who are able to function as full-time farmers, but who lack financial and technical resources. It is for these operators that a combination of financial and technical services can be most useful in leading them into productive, useful, and self-reliant citizenship.

It would appear that these objectives can be met in two ways: (1) by providing to some farmers the knowledge and the opportunity to move into industrial and service industry jobs which will provide them with a better living; and (2) by providing other farmers with technical knowledge, management guides, adequate credit and supervision so they can build a farm enterprise capable of providing an adequate income and satisfactory living.

Nonfarm opportunities can often be enhanced simply by providing more information on job opportunities, particularly to the farm youth who are actively considering alternatives. Vocational training in rural high schools in such subjects as electricity, metalwork, and carpentry can frequently give farm youth the necessary skills for better urban jobs. Some kind of financial aid to assist migration would be helpful, particularly in those areas more distant from industrial centers. Another possibility lies in the decentralization of industry to

MAP II

Percent of Farms in Michigan Counties Designated As Economic Class VI in 1949. (Value of Farm Products Sold was \$250 to \$1,199, Operator Worked Off Farm Less Than 100 Days and Other Income Was Less Than Value of Farm Products Sold.)



rural areas. Our experience in Michigan indicates that this approach offers enough promise to justify careful consideration of a program to subsidize in some way the movement of industry into these depressed and underemployed agricultural areas.

Recognizing the desirability of assisting in the migration of some of the low-income farm families into more rewarding employment, let us consider more carefully what may be done to aid those who may productively remain in agriculture.

It is our belief that it is possible for a substantial portion of the low-income farm families to earn a satisfactory level of income from their farming operations. There are, however, two serious problems which must be faced by those of us who have a responsibility in this area. In the first place, these low-income farm families do not possess, in most cases, the necessary management skills to operate a successful farm enterprise. Secondly, given the necessary management ability, we find in the majority of instances that the farm is not sufficiently large and not sufficiently well-equipped to operate successfully under existing agricultural conditions.

It is with these two specific problem areas that the land-grant colleges have an interest, an opportunity, and a responsibility. Committed as they are toward helping people help themselves, and particularly in the field of agriculture and rural living; equipped with their invaluable body of technological information and teaching know-how; these institutions are in a unique position to make a significant contribution toward the solution of this phase of the problem. With their agricultural experiment stations and their agricultural extension services—both oriented toward the problems of their own States—the State land-grant colleges and universities have acquired a body of experience and have developed a set of traditions which have inspired the confidence of the farm peoples of their respective States.

Specifically, the agricultural extension services, basing their recommendations upon the research findings of the agricultural experiment stations and the United States Department of Agriculture, can well take the leadership in teaching the necessary management skills to these low-income farm families.

While the agricultural extension services have been active in this broad area for more than 40 years, it should be pointed out that during the past 2 years a somewhat new approach has been developed by these institutions—an approach which is particularly well adapted to this very problem. In this program the emphasis is being placed upon the individual farm and home unit so that the farmer and the farm family may be able to receive the latest research findings and apply them to their farm and home as a total unit. One of the primary concerns of this farm- and home-development approach has been that of how farm families can best organize and operate their total farm enterprise at its peak efficiency.

In Michigan we have had under way for almost 2 years a somewhat similar approach, but on a different base. This is an experimental program in intensive extension work—a program generally known as the township extension program.

Our experience with this approach would seem to have significance for us as we consider ways in which we can help underemployed, low-income farm families. This program, which has been underwritten largely by the W. K. Kellogg Foundation at Battle Creek, Mich., provides for employing a county agricultural agent to work with the farmers within one township, or about 100 to 125 farm families. The average workload for all county agricultural agents in Michigan is 1,800 such families. This program is being developed in 5 separate townships and is to be operated for a period of 5 years under this grant. In addition, we have a research project which is designed to measure the changes which have occurred in these five townships as a result of this intensive extension approach.

While it is too early to formulate a judgment as to the outcome of this approach, we have had some specific examples brought to our attention which cause us to be enthusiastic about its possibilities. I should like to quote directly from the report of one of our township agents:

"Mr. X is a farmer, who is a member of our township extension association. Mr. X had a problem of a small farm income. My survey of his business showed that he had only 63 tillable acres, 8 cows, 4 sows, and 25 ewes. Obviously the main thing to suggest to this particular farmer was to increase the size of his farm business. However, the opportunities for doing this were quite limited. The farm is broken up into three fairly small parcels of land divided by a highway. This created a problem of convenient pasture for the dairy cows. The milk produced on the farm was sold on a condensory market from fair to average

producing cows. Expansion in the size of the dairy business was limited to available capital, available pasture and housing facilities. Only 4 or 5 litters of pigs were raised on the farm each year, but Mr. X did well with these few. The sheep did fairly well, but because of their small numbers did not add much to the total farm income.

"The first suggestion made to Mr. X was that of increasing the size of his farm business through the purchasing or the leasing of more land. He was able to rent an additional 100 acres of work land that was good enough to raise plenty of feed crops. He was also able to use some of this land for wheat as a cash crop. With the additional feed raised, he was able to increase his swine enterprise to 12 to 14 litters per year. He also changed the swine breeding program so that he would market his hogs ahead of the usual seasonal price slump. The dairy and sheep enterprises were not expanded, but with improved methods he was able to increase his net income. This was done mainly through the improvement of existing pastures and through more efficient livestock feeding practices. Increased crop yields were brought about by stepping up the rate of fertilizer application to his various crops. This was especially true with the hay and pasture crops on the home farm.

"The gross income of Mr. X's farm the year prior to planning was about \$4,030. The gross income under the new plan is about \$7,200. This was accomplished with an increased expenditure of \$1,400 for tractor fuel, protein feed and fertilizer, leaving a net increase in farm income of \$1,800."

A second concrete example of what can happen with a careful and meaningful approach to the problems of American farmers—low income or otherwise—is found in the story of a 30-year-old farmer and his wife, 2 daughters, and son who sought the advice of one of our township agents as to how they might best move from their current marginal farming operation to a more profitable and satisfying business. They had youth, ambition, and a great deal of energy on their side. They also knew what they wanted to do and were willing to work for it. They did not, however, know how to best go about the job before them. Again, we can only summarize the results of the program of direct educational assistance. This young farm family in 1953 farmed 220 tillable acres and in 1954 they farmed 192. In 1953 they used fertilizer per tillable acre at the rate of \$3.25; in 1954 at the rate of \$6.41. Their crop yield index rose from 109 percent to 116 percent and their livestock income per acre rose from \$41 to \$104. In this 1-year span the income per \$100 of expense increased from \$145 to \$210 and their gross farm income rose from \$15,507 to \$21,360. Finally, and this is the payoff point, the net farm income available for a better life for this farm family increased by \$3,982 in this 1 year.

We do not claim that this degree of success has been nor can be achieved with every farm family involved, but we want to stress the fact that these are examples of real farmers faced with real problems, and farmers who found real and lasting answers.

We believe that this kind of educational program can be conducted productively with the low-income farmers in our State and in the other States in the Nation. We believe that this is a responsibility of the agricultural extension services and one which they would be pleased to accept provided adequate resources were made available by the Congress.

The second problem confronting these potentially successful low-income farm families is that of acquiring the necessary capital to enable them to acquire an economic unit and to acquire the necessary equipment and livestock to enable them to operate efficiently. This obviously is the kind of credit which is not readily available through regular lending agencies. Our observations of the operations of the Farmers' Home Administration in Michigan causes us to believe that this is an appropriate agency to provide this kind of credit facility. Let me hasten to point out, however, that I raise serious questions as to the appropriateness of the Farmers' Home Administration becoming involved in the farm-planning program or the farm-management program of their credit clientele. This is a proper function of the land-grant colleges and universities, equipped as they are with their vast pool of resources in their agricultural experiment stations and their agricultural extension services.

Let us review the major points which we have wanted to make in this presentation:

1. A substantial percentage of Michigan farmers are classed in the census as low-income farmers, but a more detailed study reveals that much of the problem involved is a social welfare problem and not an agricultural problem.

2. For that portion of these low-income farm families which may appropriately be regarded as an agricultural problem in an economic sense, two courses are open:

(a) assist part of this group to migrate into more useful and productive occupations—by training, by information programs, by rurally located industries—and by subsidization in some cases.

(b) provide for the balance of this group a combination program of educational assistance and adequate credit so that they may learn the necessary management skills and can then employ these management skills in the organization and operation of an economical farm unit.

3. The land-grant colleges in general and the agricultural extension services in particular can play a significant role in this improved and expanded program for low-income farm families. The Agricultural Extension Service is the logical agency to undertake the educational phase of this assignment. The experience, the know-how, the common public acceptance, and their orientation toward the problems of their respective States—all equip these institutions admirably to perform this important task. It should be emphasized, however, that in order to fulfill this responsibility it is imperative that adequate additional appropriations be made for this specific purpose.

SOME OBSERVATIONS ON LOW-INCOME FARMING IN MICHIGAN

Prepared by Milton H. Steinmueller, Department of Agricultural Economics, Michigan State University

Low income producing farms do exist in Michigan. The 1950 Census of Agriculture indicates that 4 out of every 10 farms in the State had sales of farm products of less than \$1,200 in 1949. The 63,700 Michigan farms having sales of less than \$1,200 have been placed in three groups by the Census as shown in table I.

TABLE I.—Farmers in Michigan with farm incomes less than \$1,200 in 1949 divided by types and with farm incomes between \$1,200 and \$2,499 with percentages

Groups	Percent of all farms	Percent of group	Number of farms
Economic class VI. (Sales of products between \$250 and \$1,199; operator worked less than 100 days off farm and all family off-farm income was less than value of farm product sold.)	9.7	23.7	15,084
Part time (Sales of products between \$250 and \$1,199, operators worked off farm 100 days or more or the off-farm income of family was more than value of farm products sold.)	15.5	37.7	24,023
Residential (Sales of products less than \$250.)	15.8	38.6	24,600
Subtotal	41.0	100.0	63,707
Economic class V (Sales of products between \$1,200 and \$2,499.)	19.5		30,381
Total	60.5		94,088
Total farms in State			155,589

The farms in these groups represent a multitude of situations. Some residential farms are exactly as the name implies—a rural "house and lot" for an urban worker. Other residential farms might be homes for retired farmers or retired city workers. Still others may represent farms that are either chronically low income producing or have suffered some special kind of failure in 1949. Part-time farms often differ from residential farms more in degree than in substance. The operators on part-time farms have, on the average, a larger volume of sales than do those in the residential group. Economic class VI farms represent the truly low income and (in many cases) unproductive farming situations in Michigan.

We know very little about the nature of the total income position of the residential and part-time farmers. The census indicates that 8,500 of the listed farms had no sales of farm products in 1949. Most of these farms are listed as residential units and we do not know if these operators had other income or not. In another tabulation, the Census reports that approximately 7,500 of the residential operators had off-the-farm income of less than the value of farm products sold. Thus the upper limit of total income for this group of "farmers" cannot be more than \$497 (\$249+\$248).

The income possibilities of the operators in the part-time group are more complicated. According to the Census, 80 percent of the operators had off-the-farm income exceeding the value of farm products sold. Starting with a minimum farm income of \$250, their total incomes ranged from \$501 upward (\$250+\$251). By definition, the remaining 20 percent worked 100 days or more off their farms, realized less off-farm-income than on-farm-income, and still received less than \$1,200 from the sale of farm products. These operators thus had an upper total income limit of \$2,397 (\$1,199+\$1,198).

The total income pattern for operators on economic class VI farms is rather specific but represents a wide range. Since none of these operators can have off-farm-income greater than on-farm-income, it follows that the upper limit of total income for the 15,000 operators in this group can be \$2,398 (\$1,199+\$1,199). It is possible (but unlikely) for the lower limit to be \$250.

Low income producing farms as defined existed in every county of the State. They ranged from a low of 17 percent of the farms in Huron County to a high of 72 percent in Roscommon County.

Some of the important characteristics of these three groups of farms have been summarized in the table below.

TABLE II.—Some characteristics of farms having value of farm products sold of less than \$1,200, by class of farm, State of Michigan, 1949

Characteristic	VI	Economic class part time	Residential
Average size of farm (acres).....	80.4	66.4	44.4
Percent under 10 acres.....	5.5	8.0	18.0
Percent under 30 acres.....	16.0	24.7	45.5
Percent under 50 acres.....	38.0	49.0	70.0
Average value of land and buildings per farm.....	\$6,144	\$7,087	\$5,815
Average value of land per acre.....	\$74.37	\$107.06	\$131.39
Average age of operator (years).....	58.5	48.1	50.4
Percent of operators 55 or over.....	67.0	40.0	39.0
Percent of operators 65 or over.....	40.0	11.5	18.0
Percent distribution of income received for selected commodities:			
Field crops.....	22.0	29.0	22.0
Dairy.....	31.0	20.0	9.0
Poultry.....	12.0	14.0	19.0
All livestock.....	24.0	24.0	32.0

Source: U. S. Census of Agriculture, 1950.

SOME INTERAREA COMPARISONS

A somewhat more definite pattern of low-income farming in Michigan can be obtained by looking at differences between areas. Three areas were selected for comparison. The first of these, census area 8 and F is an urban-suburban fringe area around Detroit. The second, census area 4b, is the northeastern half of the upper part of the Lower Peninsula. The third area selected, area 1, is the western half of the Upper Peninsula of Michigan. Table III shows a series of comparisons for each of these areas for each of the 3 income groups with less than \$1,200 farm income. (See map 1.)

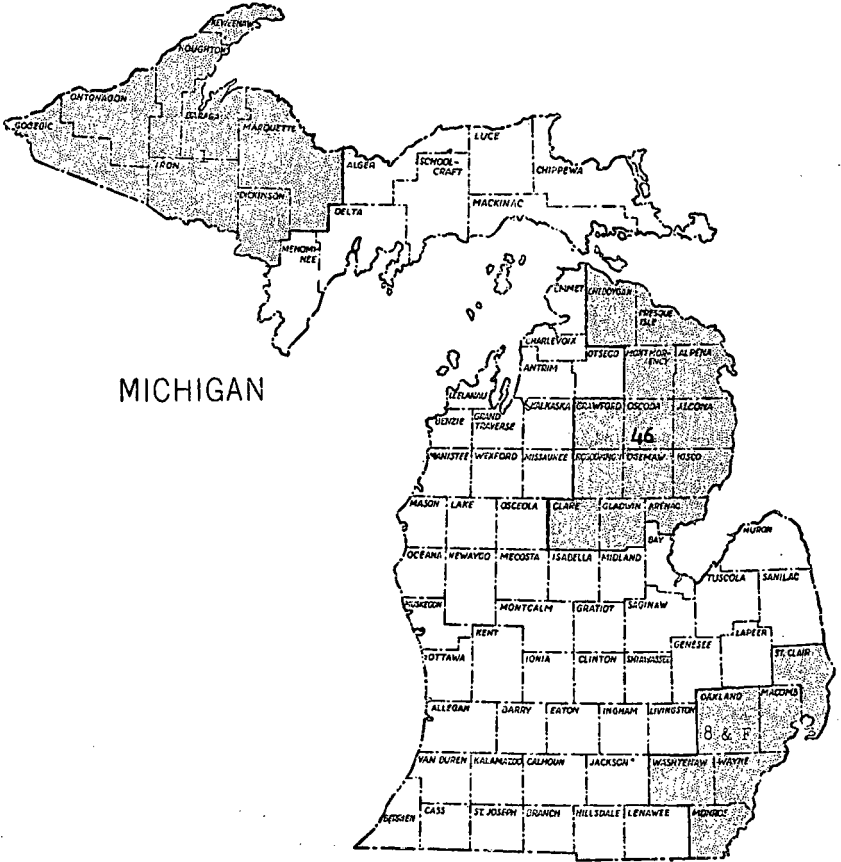
Careful examination of table III indicates that the average farm size is much smaller in the area around Detroit and both the average total and per acre values are much higher. There are smaller differences between the other two areas.

The age differences are striking. Depending on the area, between 52 and 74 percent of the operators on economic class VI farms are 55 or older. Of the

three groups, this group represents the older farmers in each area. The part-time farmers are much younger on the average with only about one-fourth over 55. In the Upper Peninsula, farther from alternative opportunities, the average age is somewhat higher. Residential farmers are in an intermediate position and do not differ between areas with respect to age.

With respect to sources of farm income, the Detroit area shows a higher dependence on crops. Many of these people have urban jobs which keep them from developing livestock enterprises. In the other areas, crops are less important which suggests that these farmers have more time for livestock and possibly are not as likely to have steady off-farm jobs. Their total income situation consequently is likely to be less satisfactory.

Location of Areas Used for Inter-Area Comparisons



The last part of the table indicates that many of these folks are able to pay the costs of some modern services and conveniences. However, it should be noted that there are some important differences as the distance from the main areas of economic activity in the State increases.

To only a limited degree does the census permit an analytically useful delineation of the "low-income" problem in Michigan. A great deal of needed information is simply not available. As mentioned above, we know nothing of the total income (from all sources) of most farmers. We have no data on how many farms are operated by widows, widowers, bachelors, etc. We have no information on the number of farms that are operated by people with physical or mental limitations. We know nothing of the tenure conditions on the part-time and residential farms. Without this and additional kinds of information our picture of low income in Michigan agriculture is necessarily sketchy.

TABLE III.—Comparisons between low-income farms in selected census areas in Michigan

	Detroit area			Northeast Michigan			Western Upper Peninsula		
	Class VI	Part time	Residential	Class VI	Part time	Residential	Class VI	Part time	Residential
Size of farm in acres.....	55.2	45.4	25.3	113.2	105.1	68.5	90.4	80.9	65.7
Percent under 50 acres.....	53.9	65.6	85.7	17.3	23.5	50.8	27.8	33.0	56.6
Average value per farm.....	\$10,684	\$11,125	\$9,065	\$5,394	\$6,344	\$4,275	\$3,974	\$4,275	\$3,857
Average value per acre.....	\$187	\$249	\$364	\$46	\$62	\$50	\$44	\$64	\$58
Average age of operator (years).....	61	48	50	55	47	51	57	51	50
Percent of operators 55 or over.....	74	28	35	52	26	39	62	37	36
Percent income from crops.....	44	49	36	19	24	33	18	14	34
Percent of farms with telephones.....	48	66	60	16	25	21	12	30	29
Percent of farms with electricity.....	93	95	95	82	89	81	82	83	82
Percent of farms with electric washing machines.....	78	86	85	69	80	69	69	79	74
Percent of autos 10 years or older.....	58	34	36	75	52	59	63	58	58

Source: United States Census of Agriculture, 1950.

MR. VARNER. I felt it my responsibility here to give some impression of the nature and extent of the low-income problem in Michigan agriculture, as somewhat typical of the Great Lakes region, and then discuss how the agricultural extension service and land-grant colleges in general can assist in solving part of the low-income farm problem.

According to the 1950 census 4 out of every 10 Michigan farmers had incomes of less than \$1,200, in the year 1949. In addition to this, there were more than 30,000 farmers who reported farm income between \$1,200 and \$2,500 for 1949. The geographical distribution in the State of Michigan points up concentration around Detroit, in the upper part of the Lower Peninsula, and in the Upper Peninsula of Michigan.

It seems to us that in Michigan and many of the nearby States we need to think of the low-income people in at least the following terms: Some of them are social-welfare cases which happen to be living in rural areas. Some of them are widows, widowers, older orphans, people with physical handicaps, severe health problems, or older people unable to put forth the physical effort necessary to do an adequate job of farming.

Some of the people are rural residents whose source of income is almost wholly outside of agriculture.

A third group are part-time farmers, many of whom make an adequate income when their farm and nonfarm incomes are combined. The census does not report nonfarm income for either this group or the rural residents. The attached report, however, does indicate that some part-time farmers do not have a large nonfarm income to add to their farm income.

The final group is composed of farmers whose resources and knowledge of modern agriculture are so limited that they are unable year after year to do much more than subsist. This is the group on which I wish to center attention. Most of the farmers in Census Class VI appear to be of this type. Their distribution in Michigan is indicated by map 2.

Briefly, it seems to me that the first group needs to be dealt with by welfare agencies, social-security programs, agencies providing medical services, and others of this type. The nature of their prob-

lem is such that agricultural agencies are not able to help them until their present pressing but nonagricultural problems are solved.

The second group, the rural residents, appears to be largely a non-agricultural problem. We need to know more about their income situation but again it appears that these are largely outside of the scope of the agricultural agencies.

The third group, the part-time farmers, includes a mixture of types. Some are younger farmers trying to build up resources so that they may find their way into full-time farming. Others may have a combination of farm and nonfarm work which is satisfying and financially rewarding, but want to hold on to the land because of the feeling of security it provides or the pleasures of a rural environment. Still others are older people moving toward retirement and future migrants on their way out of agriculture. Many of the individuals in each of these subgroups can be helped in appraising their situation and its possibilities by the Agricultural Extension Service along with those belonging in the fourth group.

This fourth group includes at least two subgroups. One includes older farmers living in semiretirement, possibly renting out much of their land but keeping enough to occupy their time while they live out their lives in accustomed surroundings. Others appear to belong to a lost generation who were too old to adjust to the opportunities and challenges of the forties and are now bypassed by the mainstream of economic change and development. Another large part of this group appears to be composed of individuals who are able to function as full-time farmers, but who lack financial and technical resources. It is for these operators that a combination of financial and technical services can be most useful in leading them into productive, useful, and self-reliant citizenship.

It would appear that these objectives can be met in two ways: (1) By providing to some farmers the knowledge and the opportunity to move into industrial and service industry jobs which will provide them with a better living; and (2) by providing other farmers with technical knowledge, management guides, adequate credit, and supervision so they can build a farm enterprise capable of providing an adequate income and satisfactory living.

Nonfarm opportunities can often be enhanced simply by providing more information on job opportunities, particularly to the farm youth who are actively considering alternatives. Vocational training in rural high schools in such subjects as electricity, metalwork, and carpentry can frequently give farm youth the necessary skills for better urban jobs. Some kind of financial aid to assist migration would be helpful, particularly in those areas more distant from industrial centers. Another possibility lies in the decentralization of industry to rural areas. Our experience in Michigan indicates that this approach offers enough promise to justify careful consideration of a program to subsidize in some way the movement of industry into these depressed and underemployed agricultural areas.

Recognizing the desirability of assisting in the migration of some of the low-income farm families into more rewarding employment, let us consider more carefully what may be done to aid those who may productively remain in agriculture.

It is our belief that it is possible for a substantial portion of the low-income farm families to earn a satisfactory level of income from

their farming operations. There are, however, two serious problems which must be faced by those of us who have a responsibility in this area. In the first place, these low-income farm families do not possess, in most cases, the necessary management skills to operate a successful farm enterprise. Secondly, given the necessary management ability, we find in the majority of instances that the farm is not sufficiently large and not sufficiently well equipped to operate successfully under existing agricultural conditions.

It is with these two specific problem areas that the land-grant colleges have an interest, an opportunity, and a responsibility. Committed as they are toward helping people help themselves, and particularly in the field of agriculture and rural living; equipped with their invaluable body of technological information and teaching know-how; these institutions are in a unique position to make a significant contribution toward the solution of this phase of the problem. With their agricultural experiment stations and their agricultural extension services—both oriented toward the problems of their own States—the State land-grant colleges and universities have acquired a body of experience and have developed a set of traditions which have inspired the confidence of the farm peoples of their respective States.

Specifically, the agricultural extension services, basing their recommendations upon the research findings of the agricultural experiment stations and the United States Department of Agriculture, can well take the leadership in teaching the necessary management skills to these low-income farm families.

While the agricultural extension services have been active in this broad area for more than 40 years, it should be pointed out that during the past 2 years a somewhat new approach has been developed by these institutions, an approach which is particularly well adapted to this very problem. In this program the emphasis is being placed upon the individual farm and home unit so that the farmer and the farm family may be able to receive the latest research findings and apply them to their farm and home as a total unit. One of the primary concerns of this farm and home development approach has been that of how farm families can best organize and operate their total farm enterprise at its peak efficiency.

In Michigan we have had underway for almost 2 years a somewhat similar approach, but on a different base. This is an experimental program in intensive extension work, a program generally known as the township extension program.

Our experience with this approach would seem to have significance for us as we consider ways in which we can help underemployed, low-income farm families. This program, which has been underwritten largely by the W. K. Kellogg Foundation at Battle Creek, Mich., provides for employing a county agricultural agent to work with the farmers within 1 township, or about 100 to 125 farm families. The average workload for all county agricultural agents in Michigan is 1,800 such families. This program is being developed in 5 separate townships and is to be operated for a period of 5 years under this grant. In addition, we have a research project which is designed to measure the changes which have occurred in these five townships as a result of this intensive extension approach.

While it is too early to formulate a judgment as to the outcome of this approach, we have had some specific examples brought to our

attention which cause us to be enthusiastic about its possibilities. I should like to refer to two such examples.

The first example has to do with a young farmer and his wife who had a very small farm unit and a low income. They asked the township agent to come and visit with them about their problem. They pointed out that their income was simply not adequate to do the job which was necessary in supporting the family. They laid before him the problems which they had in terms of the farm operation; some of their hopes and aspirations. A meeting which began around the kitchen supper table shortly after the dishes were done lasted until past midnight. This farm family spelled out their problems with this township agent, and he in turn visited with them about some of the opportunities and some of the alternatives which were available.

Out of this meeting came a program which was suggested to them as one way in which they might help their present situation. The record will show many of the details which were recommended in this program, but the important part of this example is that as a result of this planning and thinking through and actual reorganization of the farm and home operation, this family had a net increase in the farm income of \$1,800 in 1 year, during a period when farm prices in general were moving downward.

We feel this is a specific, concrete example of what can be done by bringing to bear the resources of the extension service to the farm people who have these kinds of problems.

The second concrete example has to do with a similar farm family, a couple 30 years old. They had three children, and they felt that their present farm income was not adequate to do the things which they felt should be done for their family. Again they went through essentially the same kind of operation, in a different township program. At the end of the year they had increased their farm income by over \$3,000 in 1 year. This, of course, was a larger farm operation to begin with.

I should point out here that we do not claim that this degree of success has been or can be achieved with every farm family involved, but we want to stress the fact that these are examples of real farmers who are faced with real problems and farmers who found real and lasting solutions to their problems. We believe that this kind of educational program can be conducted productively with the low-income farmers in our State and the other States of the Nation. We believe that this is a responsibility of the agricultural extension services and one which they would be pleased to accept provided adequate resources were made available by the Congress.

The second problem confronting these potentially successful low-income farm families is that of acquiring the necessary capital to enable them to acquire an economic unit and to acquire the necessary equipment and livestock to enable them to operate efficiently. This obviously is the kind of credit which is not readily available through regular lending agencies. Our observations of the operations of the Farmers Home Administration in Michigan causes us to believe that this is an appropriate agency to provide this kind of credit facility. Let me hasten to point out, however, that I raise serious questions as to the appropriateness of the Farmers Home Administration becoming involved in the farm-planning program or the farm management program of their credit clientele. This is a proper function of the

land-grant colleges and universities, equipped as they are with their vast pool of resources in their agricultural experiment stations and their agricultural extension services.

Let us review the major points which we have wanted to make in this presentation:

1. A substantial percentage of Michigan farmers are classed in the census as low-income farmers, but a more detailed study reveals that much of the problem involved is a social welfare problem and not an agricultural problem.

2. For that portion of these low-income farm families which may appropriately be regarded as an agricultural problem in an economic sense, two courses are open: A. Assist part of this group to migrate into more useful and productive occupations—by training, by information programs, by rurally located industries—and by subsidization in some cases; B. Provide for the balance of this group a combination program of educational assistance and adequate credit so that they may learn the necessary management skills and can then employ these management skills in the organization and operation of an economical farm unit.

3. The land-grant colleges in general and the agricultural extension service in particular can play a significant role in this improved and expanded program for low-income farm families. The agricultural extension service is the logical agency to undertake the educational phase of this assignment. The experience, the know-how, the common public acceptance, and their orientation toward the problems of their respective States—all equip these institutions admirably to perform this important task. It should be emphasized, however, that in order to fulfill this responsibility it is imperative that adequate additional appropriations be made for this special purpose.

Senator SPARKMAN. Thank you very much, Mr. Varner.

Now, Mr. Varney.

STATEMENT OF HARRY R. VARNEY, DEAN, COLLEGE OF AGRICULTURE, FORESTRY, AND HOME ECONOMICS, WEST VIRGINIA UNIVERSITY

Mr. VARNEY. Mr. Chairman, I have prepared a statement for the record, but in view of conserving time I will present just a summary of that statement.

Senator SPARKMAN. I may say that your statement will be printed in the record.

(The complete statement of Mr. Varney is as follows:)

HELPING LOW-INCOME FARM FAMILIES HELP THEMSELVES: THE ROLE OF LAND-GRANT INSTITUTIONS, THE EXTENSION SERVICES, AND COMMUNITY ORGANIZATIONS

Harry R. Varney, dean, College of Agriculture, Forestry, and Home Economics, West Virginia University, Morgantown, W. Va.

The subcommittee on low-income families of the Joint Committee on the Economic Report in continuing its study of the problems of low-income families is holding this series of hearings to discuss ways and means whereby members of the low-income group can be assisted in their efforts to improve their earning power and level of living. I have been asked to testify particularly concerning problems of low income in rural areas and to give some information concerning possible ways in which the land-grant colleges, including their extension services

and experiment stations, may be able to help in solving some of these problems.

First, I would like to describe to you the situation in West Virginia with respect to agriculture and rural areas. While basically similar to much of the country, it differs in degree from a majority of the States.

According to the 1950 census of population, there were, in round numbers, 2 million people in West Virginia; about 1,300,000 of these were classified as rural with slightly more than 400,000 living on farms, and 900,000 rural nonfarm residents. This is approximately 65 percent of the total population (table I).

STATISTICS ON WEST VIRGINIA AND ITS AGRICULTURE

TABLE I.—Population in West Virginia, April 1, 1950

Location	Number	Percent
Farm.....	410,922	20
Rural nonfarm.....	900,143	45
All rural.....	1,311,065	65
Urban.....	694,487	35
Total.....	2,005,552	100

West Virginia is a State of rough topography with a considerable proportion of the total land area in woods and with much of the cleared area in relatively narrow valleys. According to the 1950 agricultural census, there were 81,434 farms in the State in 1950 (table II).

TABLE II.—Economic classes of West Virginia farms and cash farm sales, 1950

Economic class	Value of farm products sold	Number of farms	Percent of farms	Average sales	Percent of Statesales
I.....	\$25,000 and over.....	240	0.3	\$48,866	13.9
II.....	\$10,000 to \$24,999.....	1,144	1.4	14,707	20.0
III.....	\$5,000 to \$9,999.....	1,980	2.4	6,991	16.4
IV.....	\$2,500 to \$4,999.....	3,711	4.6	3,439	15.1
Semicommercial.....	\$1,200 to \$2,499.....	6,507	8.0	1,772	13.7
Subsistence.....	\$250 to \$1,199.....	9,755	12.0	636	7.4
All commercial.....		23,337	28.7	3,123	86.5
Part time.....	\$250 to \$1,199.....	14,337	17.6	535	9.1
Residential.....	Less than \$250.....	43,684	53.7	115	3.8
Institutional farms.....		60	.1		.6
All farms.....		81,434	100.0	1,288	100.0

A farm, for the 1950 census, includes places of 3 or more acres, if the value of agricultural products in 1949, exclusive of home gardens, amounted to \$150 or more. Of the more than 81,000 farms in the State, you will notice that less than 14,000 had sales of farm products during the year amounting to \$1,200 or more. This means that over 80 percent of the farmers had sales amounting to less than \$100 a month; that is gross sales, from which expenses of operating the farm must be deducted. In addition to the large number of farms that were classified as subsistence farms, part-time farms or residential farms, another 6,500, or 8 percent of the total, were classified as semicommercial, since they had \$1,200, but less than \$2,500, gross sales during the year. This leaves only about 7,000 farms out of the 81,000 that could be considered truly commercial farms where the farm family had an opportunity to obtain a reasonably satisfactory living from full-time operation of the farm. Between 70 and 75,000 out of the 81,000 farm families thus found it necessary to either obtain employment off the farm to supplement the farm sales, or get along with a much lower standard of living than average.

Many of the farm operators and other members of the farm family did work off the farm as indicated in table III, which was taken from the 1950 agricultural census.

TABLE III.—*Work off farm by farm operator and nonfarm family income, by value of sales per farm*

Value of products sold per farm in dollars	Percent of operators working off farms		Percent of farms with nonfarm family income exceeding agricultural sales
	Some	100 days or more	
25,000 or more.....	22	9	7
10,000 to 24,999.....	31	12	14
5,000 to 9,999.....	32	13	15
2,500 to 4,999.....	37	17	19
1,200 to 2,499.....	42	24	31
250 to 1,199.....	53	36	52
Less than 250.....	66	54	71
All farms.....	57	43	57

Even in the case of the so-called commercial farms, where the gross income exceeded \$2,500, from one-fifth to two-fifths of the operators worked for various lengths of time off the farm in order to supplement their farm income. In the case of the semicommercial, and the farms with gross receipts from sale of farm products of less than \$1,200, from 42 percent to two-thirds of them worked off the farm some time during the year, and from one-fourth to one-half of them worked more than 100 days off the farm. On the average, for all farm operators, regardless of size, 57 percent did some work off the farm during the year, 43 percent worked 100 days or more off the farm and 50 percent of the families had more family income from work off the farm than they did from the sale of agricultural products.

The biggest problem in most of our rural areas is underemployment of available resources; in most cases, human resources, in some cases, other resources, such as timber or soil. There is much that can be done in the way of helping individual farmers and farm families improve their income and standard of living, with the resources they have at present. Much of the extension work that has been done in the past, and is now being done, deals with the individual problems of production and utilization of the farm. Problems of obtaining higher yielding varieties of crops and strains of livestock; of preventing and controlling insect pests and diseases; of reducing the cost of production; improving marketing techniques; and making better use of the facilities at hand for family living.

A supplement to the regular extension program—the so-called farming for better living program—was started in 10 counties in the upper Monongahela Valley in 1940. It was a program of individual farm and home planning. It was carried on cooperatively by personnel provided by the Monongahela Power Co., and Agricultural Extension Service workers. It has now grown to include individual farm families in 25 counties. The number of families participating in the program is limited, since one worker can handle comparatively few families on such an intensive program. The program is set up on a contest basis with county and regional winners being awarded prizes at annual county and regional banquets.

A more recent attempt, along these lines, is the Agricultural Extension Service program of individual farm and home planning, sponsored by the Federal Extension Service in cooperation with the States. This is a much more intensified approach than was normally used in previous years, and is one that gives much promise if adequate and qualified personnel can be made available.

While the individual farmer and farm family can do much to help themselves, there are some problems that they can not solve as individuals or as a single family. These problems must be attacked and solved on a community basis. Recognizing this fact, a country life program was initiated in the northern part of West Virginia, in June 1948, by the Agricultural Extension Service, in cooperation with the Monongahela Power Co. Five rural communities enrolled and agreed to cooperate on an experimental basis for a trial period to determine what kind of community development program was needed in the rural areas. After a trial, or experimental period, of 3 years, the program was made available to all rural communities in the northern part of the State. In 1950, it was made

available to rural communities in the southeastern part of the State, through the Beckley Area Rural Development Council.

The country life program is designed to assist rural communities that are seeking ways and means to build their local areas in order to make them better places in which to live and work and play. It is designed to encourage group action on those problems that cannot be solved by individual action. In one sense, it is an outgrowth of, and a companion program to, the Extension Service programs that I mentioned earlier, and the farming for better living program.

The rural community program is set up on a contest basis, and prizes are awarded to those communities making the most progress during the contest year. Cash prizes are made available by contributions from business people in area organizations in the State. The program includes seven broad phases of community activities. It embraces agriculture, education, recreation, religion, home improvement, health, and miscellaneous improvements, activities and interests that are common to all rural communities.

Scoring is so organized as to give equal emphasis to all seven phases. Such flexibility allows any and all types of rural communities to participate in the program. Each community decides by group action on their problems and needs. In most cases, committees are elected for each of the seven phases of the program with the several chairman forming an overall, or steering, committee for the program.

Measuring community progress is a function of the 2 groups—the community itself, and an area judging committee for each of the 3 areas. Scoring is based on the amount of progress made during the current year and not on a cumulative basis.

A total of \$500 for each area is made available for cash awards. The cash money is shared equally among those communities that are selected by the area judges as having made sufficient outstanding accomplishments to receive area and statewide recognition.

Though the country life program was first initiated by the Agricultural Extension Service and the Monongahela Power Co., in the northern part of the State, it is now being sponsored through three area organizations. The Upper Monongahela Valley Association, the Little Kanawha Regional Council, and the Beckley Area Rural Development Council. These area organizations are made up of business people and area leaders for the purpose of trade area development. Since the program was sponsored by these organizations, it was possible to put it on a contest basis, giving recognition to those communities making outstanding progress in each area. At the county level, it has been the policy of the county agricultural agents and extension workers to work together in giving assistance to communities enrolled in the program. Their primary function is to make known the services that are available to the community and to encourage the use of those services. In no way are these groups and agencies dictating to the communities.

In most rural areas and communities there are already many different organizations vitally interested in building and developing their areas. In many cases one of these strong organizations will sponsor the program locally. Such organizations have been churches, farm women's clubs, PTA's, 4-H clubs, granges, etc. In some cases community councils have been formed, but in all cases the rural community decides upon its local sponsorship.

The program was started in 1948 with the 5 guinea-pig communities. It has grown to include communities from 9 counties in the Little Kanawha region, 16 counties in the upper Monongahela Valley area, and 8 counties in the Beckley area. This year, 1955, there are 74 rural communities enrolled in the program. These 74 communities have a combined total of approximately 7,500 families.

Accomplishments by individual communities have been numerous; too many to mention in detail. Some of their activities have included organized farm tours, garden schools, health and dental clinics, assistance to local schools, public affairs forums, recreation programs, community group meetings, and so forth. The most gratifying observation of all has been to watch the change taking place in the minds of people and the attitude of a community; the realization that their community will be just what they make it and their determination to do something about it.

Plans are now being made to institute what seems to be a logical third step, namely, a county rural development program, which, it is hoped, will spread from the initial pilot county to other counties and eventually become a statewide rural development program. This program is being developed in cooperation with the United States Department of Agriculture, as Secretary Benson has al-

ready told you. In West Virginia a State rural development committee has been organized. It includes representatives of the various State and Federal agencies interested in farm and rural affairs such as the United States Department of Agriculture, Health, Education, and Welfare, and Commerce, and Labor, and the State departments of agriculture, health, education, together with representatives from agricultural extension services, agricultural experiment stations, and other parts of the university. This State committee has held two meetings to make preliminary plans and to draw up a set of specifications to consider in selecting the pilot counties for the inauguration of this program. The university is optimistic that with the cooperation of the local businessmen, industry, and the rural people themselves, much can be done to provide more adequate employment opportunities within the given county, and much can be done to help those families who wish to move to other areas to do so.

It seems to us that there are three ways in which these rural communities with the families living in them may be aided. First, to step up the production, and particularly the efficiency of the production on the farms, by use of methods that have been already developed and proven feasible and by further research that can be applied to our farm conditions. Second, a greater production on the large acreages of land that are best adapted to forests, and an increase in the number of wood utilization industries, in the various communities and counties to provide employment opportunities for more people. Third, by making known to industry the resources available in the way of water, fuel, timber, labor, and any other natural resources, additional industries may be persuaded to come into the territory, and provide employment opportunities on either a full- or part-time basis.

The State geological survey is making information available, concerning location and extent of natural resources. The agricultural experiment station has made an initial study of the situation in part of the upper Monongahela Valley are with respect to available labor. A bulletin entitled "Availability for Employment of Rural People in the Upper Monongahela Valley" is now in the hands of the printer. If such a program is to be successful, we will need to have an expansion and intensification of our agricultural research and extension programs, a broader and more intensive program of vocational training for industrial positions, both male and female, since many of our presently underemployed rural people do not have the training that will enable them to take semiskilled, or skilled jobs in industry. If they do work off the farm, it has to be in many cases at unskilled jobs with relatively low rates of pay. We will also need to have a better program of employment and job placement, particularly in rural areas. That requires personnel, with training and experience, that enables them to understand the rural situation, which, in many cases, is quite different than that found in urban areas.

It seems to me that our rural communities face three alternatives: If things are allowed to drift, people will gradually be forced out of those communities into areas where they can find employment opportunities and the communities will gradually die. The second alternative is to improve the agriculture and the off-farm employment opportunities in the area so that the families there may obtain a satisfactory living that will enable them to continue to live on their farms and support the various community activities. The third alternative, and in most cases, I believe this should accompany No. 2, we need to provide such training opportunities for our young people and for some of the adults, as to enable them to obtain profitable, full-time employment outside the area when there is a greater population than area resources can hope to support, on a satisfactory basis. It seems to me that such a program of helping the people help themselves, is much to be preferred to the type of program that acts as a dole and not only fails to stimulate individual and local initiative, but actually tends to repress it.

Mr. VARNEY. I have been asked to testify particularly concerning problems of low income in rural areas, and to give some information concerning possible ways in which the land-grant colleges, including their extension services and experiment stations, may be able to help in solving some of these problems.

The situation in West Virginia, with respect to agriculture in rural areas, is basically similar to much of the country, but differs in degree from a majority of the States. We have quite a few of the farms that Senator Flanders referred to earlier.

A much larger proportion of the farms are smaller in acreage in this State, than for the country as a whole, and do not provide full-time, profitable, employment for the farm family.

According to the 1950 census of population, approximately 65 percent of the residents of the State were classified as rural.

According to the 1950 agricultural census, there were 81,434 farms. Less than 14,000 of these had sales of farm products during the year amounting to \$1,200 or more. This means that over 80 percent of the farmers had sales amounting to less than \$100 a month, and that is gross sales, from which expenses of operating the farm must be deducted. Another 6,500, or 8 percent, of the total were classified as semicommercial, with gross sales of \$1,200 to \$2,500 a year. That leaves only about 7,000 farms that could be considered truly commercial farms where the farm family had an opportunity to obtain a reasonably satisfactory living from full-time operation of the farm. All of the others thus found it necessary to either obtain employment off the farm to supplement the farm sales, or get along with a much lower standard of living than the average family.

In the case of the farms with gross receipts of \$2,500 or less, from 42 percent to two-thirds of the farmers worked off the farm some time during the year, and from one-fourth to one-half of them worked more than 100 days off the farm. Even in the case of the so-called commercial farms, where the gross income exceeded \$2,500, from one-fifth to two-fifths of the operators worked for various lengths of time off the farm in order to supplement their farm income. On the average, for all farm operators in the State, regardless of size of farm, 57 percent did some work off the farm during the year, 43 percent worked 100 days or more off the farm, and 50 percent of the families had more family income from work off the farm than they did from the sale of agricultural products.

The biggest problem in most of our rural areas is underemployment of available resources. In most cases, human resources, in other cases, other resources, such as timber, soil, water, coal, and so forth.

There is much that can be done in the way of helping individual farmers and farm families improve their income and standard of living with the resources they have at present. Much of the extension work that has been done in the past, and is now being done, deals with the individual problems of production and utilization on the farm.

A supplement to the regular extension program, the so-called farming for better living program, was started in West Virginia in 10 counties in the upper Monongehela Valley in 1940. It is a program of individual farm and home planning, and has been carried on cooperatively by personnel provided by the Monongahela Power Co. and agricultural extension workers. It has now grown to include individual farm families in 25 counties.

A more recent attempt along these lines is the Agricultural Extension Service program of individual farm and home planning, sponsored by the Federal Extension Service in cooperation with the States. This is a much more intensified approach than was normally used in previous years, and one that gives much promise if adequate and qualified personnel can be made available.

While the individual farmer, and farm family, can do much to help themselves, there are some problems that they cannot solve as

individuals, or as a single family. These problems must be attacked and solved on a community basis. Recognizing this fact, a country life program was initiated in the northern part of West Virginia, in June 1948, by the Agricultural Extension Service, in cooperation with the Monongahela Power Co. Five rural communities enrolled, and agreed on an experimental basis for a trial period to determine what kind of community development program was needed in the rural areas. After a trial period of 3 years, the program was made available to all rural communities in the northern part of the State. In 1950, it was made available to rural communities in the southeastern part of the State, through the Beckley Area Rural Development Council.

The program is designed to assist rural communities that are seeking ways and means to build their local areas in order to make them better places in which to live, work, and play. It includes seven broad phases of community activities: Agriculture, education, recreation, religion, home improvement, health, and miscellaneous improvements. This program is now being sponsored through three area organizations: the Upper Monongahela Valley Association, the Little Kanawha Regional Council, and the Beckley Area Rural Development Council.

These area organizations are made up of business people and area leaders, for the purpose of trade area development. At the county level, it has been the policy of the county agricultural extension workers, and other agencies, to work together in giving assistance to communities enrolled in the program. Their primary function is to make known the services that are available to the community and to encourage the use of those services.

The program was started in 1948, with the five guinea pig communities. It has grown to include communities from 9 counties in the Little Kanawha region, 16 in the upper Monongahela Valley area, and 8 in the Beckley area. This year, 1955, there are 74 rural communities enrolled in the program. These have a combined total of approximately 7,500 families.

Plans are now being made to institute what seems to be a logical third step; namely, a county rural development program which, it is hoped, will spread from the initial pilot county to other counties, and eventually become a statewide rural development program. This program is being developed in cooperation with the United States Department of Agriculture, as Mr. Morse has already told you.

It seems to us that there are three ways in which rural communities, with the families living in them, may be aided. First, to step up the production, and particularly the efficiency of the production on the farms, by the use of methods that have already been developed and proven feasible, and by further research that can be applied to our farm conditions.

Second, a greater production on the large areas of land that are best adapted to growing trees and an increase in the number of wood utilization industries in the various communities and counties, to provide employment opportunities for more people.

Third, by making known to industry the resources available in the way of water, fuel, timber, labor, and any other natural resources, additional industries may be persuaded to come into the territory and provide employment opportunities on either a full- or part-time basis.

The State geological survey is making the information available concerning the location and extent of natural resources. The agricultural experiment station has made an initial study of the situation, in part, of the upper Monongahela Valley with respect to available labor. A bulletin entitled, "Availability for Employment of Rural People in the Upper Monongahela Valley" is now in the hands of the printer.

I might say this study indicated, among other things, that 16 percent of the people in that area were eager and willing to get additional employment opportunities off the farm.

If such a three-way program is to be successful, we will need to have an expansion and intensification of our agricultural research and extension programs, a broader and more intensive program of vocational training for industrial positions, both male and female, since many of our present underemployed rural people do not have the training that will enable them to take some semiskilled or skilled jobs in industry. We will also need to have a better program of employment and job placement, particularly in rural areas.

It seems to me that our rural communities face three alternatives.

First, if things are allowed to drift, people will gradually be forced out of those communities into areas where they can find employment opportunities, and the communities will gradually die.

The second alternative is to improve the agricultural and the off-farm employment opportunities in the area, so that the families there may obtain a satisfactory living that will enable them to continue to live on their farms and support the various community activities.

The third alternative—and, in most cases, I believe this should accompany No. 2—is to provide such training opportunities for our young people and for some of the adults as to enable them to obtain profitable full-time employment outside the area, when there is a greater population than the area resources can hope to support on a satisfactory basis. It seems to me that such a program of helping the people to help themselves is much to be preferred to the type of program that acts as a dole, and not only fails to stimulate individual and local initiative, but actually tends to repress it.

Senator SPARKMAN. Thank you very much, Mr. Varney.

Senator Flanders, do you have some questions to present to various members of this panel? And, Mr. Morse, may I suggest that in connection with these questions, if the question is directed to any particular member of the panel and other members would like to comment, we count you as a member of the panel. We shall appreciate and invite comments from the panel. We hope you will exchange comments with one another across the board. We want to make it just as free and frank and fully participated in as possible.

Senator FLANDERS. Miss Cresswell, I was particularly interested in the emphasis you placed on 4-H clubs. Did I understand you to say that the girls' 4-H was started in Mississippi?

Miss CRESSWELL. The first girls' 4-H club was started in South Carolina, I believe. The first boys' 4-H club was started in Mississippi.

Senator FLANDERS. That is a fine development. You might well take pride. I have been very much interested in the 4-H development in our own State. They seem to me to be the ideal way of interesting and informing boys and girls on rural life. The Boy Scouts are a

grand thing; but I think for our rural counties that the 4-H clubs—leave out any invidious comparison between 4-H and the Boy Scouts—but let's say the 4-H is a magnificent institution for rural communities.

I wish to say with regard to northern potatoes and sweetpotatoes that I would go one step further and say that since I learned about yams, I prefer them to sweetpotatoes. I don't know what the sentiment is in the South as to yams versus sweetpotatoes, but I am all for yams, but the doctor lets me eat only a very few.

MISS CRESSWELL. Senator, we call them all sweetpotatoes down there. I like the yams better, too.

Senator SPARKMAN. There is a difference.

MISS CRESSWELL. You are a good southerner.

Senator SPARKMAN. May I ask something for clarification? Isn't the yam the yellow sweetpotato?

Senator FLANDERS. I probably am bringing an inexpert judgment to this situation. The old sweetpotato was very dry. We can now get in the market sweetpotatoes which are moist and sweet and I had supposed those were yams, but I may be wrong. Would you inform me?

MISS CRESSWELL. Improved varieties of sweetpotatoes, very much improved. They are often referred to as yams. I presume they are all yams, but I think maybe Senator Sparkman might have to help me here. I think I know the kind of yams that you are eating, Senator, and I am certainly delighted to go back home and tell my folks that you are eating improved varieties of yams.

Senator FLANDERS. I am interested in everything that has been said, but I will move right along with questions to Mr. Varney.

I note your reference to the development of timber resources in your State. Do the individual farmers have considerable timberland as they are liable to have up in New England?

Mr. VARNEY. Yes; although our total farm areas are smaller than you will find in New England as a whole. Still most of them have a considerable proportion of their total area in so-called woodland. Much of it is brushland.

Senator FLANDERS. Does your program include the idea of having the individual farmers with woodlots as we would call them conserve and treat them as a continuing asset instead of a cutover and destruction asset?

Mr. VARNEY. Yes; it does.

Senator FLANDERS. I have had the impression that in the southern Allegheny region, at least starting in Pennsylvania and going on south, that the cutting off of the trees presented a very much more serious erosion problem than it does up in New England.

Mr. VARNEY. I think that is true partly because of difference in soil types, but largely because in northern New England the ground is frozen for a considerable portion of the year and it can't very well erode under those conditions.

Senator FLANDERS. Thank you. That will be all for the moment.

Senator SPARKMAN. Mr. Morse, perhaps you can answer this question for me. I notice some reference to the 1955 farm figures. Do you know just when those may be ready for use?

Mr. MORSE. 1955 what?

Senator SPARKMAN. The farm census figures; the various statistics and facts derived from that study.

Mr. MORSE. I believe some are now becoming available, but to a limited extent, the compiling takes time.

Senator SPARKMAN. Mr. Varney, I noticed you referred to some programs that you have started in West Virginia, the country life program and 2 or 3 different programs.

Now, one of those is a part of our national farm program. Two of them I believe were sponsored by—if I recall, you referred to three different programs.

Mr. VARNEY. That is right.

Senator SPARKMAN. Two of them are sponsored by local and by private organizations and State extension service, and the third one, was it our national farm program?

Mr. VARNEY. That is right.

Senator SPARKMAN. What do we call that?

Mr. VARNEY. We call it the rural development program, county and State rural development program.

Senator SPARKMAN. Has it been effective in West Virginia?

Mr. VARNEY. It is too early to tell yet. It seems to be a logical third step, as I tried to point out, to the individual programs and then the community programs. Now, this takes it one step further, on a countywide basis and a statewide basis. I can't answer the question as to how effective it will be because we are just getting it underway this year.

Senator SPARKMAN. How many counties in West Virginia does it cover?

Mr. VARNEY. We are starting in one county first and hope to expand from there, first in the trade area around one county, and later into other areas. We are limited as to personnel and funds since no additional funds were appropriated for this program. We are having to do it with our present funds.

Senator SPARKMAN. I would like for all of you to comment on this program. It seems to me that it offers a great deal of good, but the question in my mind has been the smallness of it.

Mr. MORSE, perhaps you could tell us, how many counties did we start off on a national basis? Or did we have a specified number of counties?

Mr. MORSE. Mr. Chairman, you will recall we came before the Appropriations Committee and asked for \$3 million additional funds to get this program underway, and then \$30 million lending authority. The lending authority for small farms was expanded to the extent of \$15 million, along with the appropriations to administer that lending. The rest of the appropriations were not made available. Congress did, however, pass an enabling bill which would permit in the future, appropriations of funds which can be concentrated in areas of special need without the prorating that is now done under the extension-service formula. We are that far along with needed legislation.

Another bill which would have enabled lending to what was called part-time farmers has not yet been passed. I think we need a different terminology there. Part-time farming I find in some areas means people who are primarily engaged in some other business than farm-

ing. What we are talking about, of course, is people in low-income areas that need to supplement their income with other employment. It is such people that we want to help with credit.

Now, coming to your question, it was our hope to get started with some 50 pilot operations. As Dean Varney has pointed out, they are moving forward with one in his State. In Texas one county has been designated. There are three pilot counties in some States. They are moving in Mississippi toward 3; also in Arkansas toward 3, and so on. Tennessee has 3—1 in eastern, 1 in central, 1 in western Tennessee, as pilot operations.

It appears at this time that we will have about 30 pilot operations set up—probably more, because the program has been gaining momentum. But, as Dean Varney says, all of this is having to be done within the limits of present funds. The program is moving forward through the work of local people and others who are giving leadership. The church groups have become very active in having a part in this program along with others who want to support this effort.

Mr. Chairman, I would like to add further that before coming to Washington, I had been active in some pilot operations with the company I was with. We set up a planned program for Tupelo, Miss., and Asheville, N. C., and for Beckley, W. Va. They were not the type of program that is sponsored by only one company. The civic, business, State, and Federal leadership put their efforts together and moved forward on a rural development type of program.

I make that statement to say that in these instances, as well as in many other instances, the local people, including the business people, are putting up at the present time from fifteen to thirty-five thousand dollars into these various projects. It shows the extent to which people are willing to help carry forward such programs.

Senator SPARKMAN. May I ask this question; I will start off by asking Mr. Varney, since he brought it up.

To what extent do you feel that your program in West Virginia—that is, your community programs—to what extent do they reach these low-income people, and may I say preliminary to that, this is the thing that concerns me with the type of a program that has been described here. It is a fine program, but it is one that requires a certain degree of experimentation must be carried out by the Extension Service to the farm.

To what extent does it get down to this little farmer who is struggling to make a living for his family? Does he really get benefit out of it? Does that family benefit from it?

Mr. VARNEY. I would have to answer in this way, Mr. Chairman: In many cases it does get down to the individual to which you refer. However, there are two factors that tend to limit its effectiveness. One is that many of these families that are most in need do not have the resources in the way of land to enable them to take advantage agriculturally of such a program. What they really need the most is some sort of training that will enable them to take part-time jobs off the farm, at rates of pay higher than for just unskilled labor, so that I think that we are never going to solve this problem simply by an agricultural program. It is not in essence an agricultural problem. It is a problem of underemployment of human resources in these areas, and there just are not enough resources of land to enable you to give full-time profitable employment to all the people that live there at the

present time. The biggest need we have is for additional sources of profitable employment, off the farms, so that they can supplement what they are able to get in the way of living from the farms themselves. In many of these areas, about all you could hope to do is to get a good share of the family living off the land they have and the cash income is going to have to come to those farms through outside employment.

Senator SPARKMAN. When a State is pretty well industrialized, I could see where that would be possible. I am thinking of some of the rural areas down in my State, for instance, and over in Arkansas, down in Mississippi. Are they just going to have to sit there and wait for industry to come in? Of course, what they have been doing largely in the past has been migrating to other areas.

Mr. VARNEY. I think some positive steps can be taken to get industry in those areas most rapidly than it has been coming in the past, but I don't think there is going to be any easy, quick solution to this problem. It has been a long time developing and it isn't going to be solved overnight in my opinion, but I don't see any other way.

You have got to have more industries in those areas. In many cases, some of the people are going to have to move to areas where there are employment opportunities, because there are certain counties or certain parts of certain counties where you just have more human resources than you do natural resources to support them.

Mr. MORSE. Mr. Chairman, there is a very positive answer to the question you have raised. If your committee could convene in some of the Tennessee communities—for example—and listen to the stories of some of the folks that you are referring to, and see what has been accomplished through this stimulus of the community teaming up to do something about the low-income problems, I think you would have ample evidence that through these various approaches, they are accomplishing wonders. There is better living, better homes, and stepped up income. I spoke in that area last summer. On the same program appeared leadership from one community, stating that they had doubled or trebled their income in a very short time. It was through community efforts—all working together. There are broad results. The same things are happening in West Virginia and in other States.

Senator FLANDERS. Mr. Chairman, I would think that one of the limitations of bringing industry into the lower level income agricultural areas would be that comparatively few of the families possess automobiles or means of transportation to or from an industrial establishment. Is that a factor in the situation as you see it, Mr. Varney, or as you see it, Mr. Morse, or any panelists?

Mr. MORSE. It is a factor certainly in certain areas, but the fact remains that there are industry opportunities. Factories can move into communities where labor is available. I would like to change that reference. We should not think of this as moving industries, but as places for industry to expand—to locate other plants.

Senator FLANDERS. I see, sir, that you have sympathy for New England's susceptibilities.

Mr. MORSE. I am not making that statement because you are here, Senator, but I think we need make that clear: With the great industrial expansion that we have in this Nation, there is opportunity—much greater opportunity than thus far has been taken advantage of to locate new industries out where the people can live in the country.

They can have wholesome family living, in addition to their factory employment.

Senator FLANDERS. May I raise one other question, Mr. Chairman?

Senator SPARKMAN. I hope you raise several of them.

Senator FLANDERS. I thought I was through, but it seems that I am not.

My question might perhaps more properly come this afternoon, but since perhaps it relates to your department and you are not going to be here, I can raise this question:

First, let me say that quite a number of years ago I was traveling north through Yorkshire, which is a mining region, and I went through a strip mining region. There was a broad trench, perhaps a hundred yards wide, and grain was growing on each side of that trench, on the side which had already been passed over, the level of the land was lower by the depth of the coal seam, but the subsoil had been replaced, the topsoil had been replaced, and the fertility of the land was improving.

Now, as compared to what I have seen in Illinois and eastern Kansas, that seemed to me to be a civilized proceeding, while what we are doing is barbarous. I suppose that to try to develop that practice of rehabilitating a worked-out strip mining region, progressively as the mining progresses, would have to be done, if at all, by State legislation.

I do wonder whether there may not be cases in Illinois and Kansas, for instance, in which it might be commercially profitable to sell the lands again as agricultural land. I don't know whether that idea has ever entered the thoughts of coal-mining companies or not, but it seems as though the question should be raised, either nationally or statewide or in some way, because certainly we completely ruin hundreds of square miles of good farm land in some of these operations.

Mr. MORSE. It is my understanding that is dealt with primarily on a State basis. Various States are giving attention to the problem.

Senator FLANDERS. I am sorry there is no one here from Illinois or Kansas.

Mr. Varney?

Mr. VARNEY. I might give you a little of our experience in West Virginia where we have quite a lot of strip mining.

Senator FLANDERS. I did not realize you had any strip mining there.

Mr. VARNEY. Due to the topography, you might not be aware of that, but particularly in the north central part of the State we do. We have a State law that requires that an operator post a bond before he obtains a permit for stripping. That is to guarantee that he will regrade the area after he completes the stripping.

We have difficulty in several ways, first, in getting it enforced, but largely in that certain coal seams have a rather high sulfur content. When they become exposed to the air the waste forms sulfuric acid and you get such an acid condition in the spoil banks that it is impossible to grow anything for several years until that is leached out, so that many of the strips that seem to be bare and abandoned are actually that way because it is impossible at the present time to get a reseeded of any plants that will grow. It is not possible to apply enough lime to do that. It just eats the lime right up as fast as you put it on, so you have to wait for nature to take its course, but, in general, those

soils are productive as soon as you can get the pH up to a high enough level.

Senator FLANDERS. In West Virginia law and practice is there any legal differentiation between separation of the top soil and subsoil, or isn't that necessary? Is it all one?

Mr. VARNEY. That is not required at the present time. There are occasions when it would be desirable, but in most cases it does not seem to make any particular difference.

Senator FLANDERS. It is sort of homogeneous soil, all the way down?

Mr. VARNEY. Yes, sir.

Senator FLANDERS. Thank you. I am glad to know that is being taken into account in your statement.

Senator SPARKMAN. Do you say they are required to give a bond? It is not just a criminal offense and fine?

Mr. VARNEY. They have to give a bond, so many hundred dollars for each acre.

Senator SPARKMAN. Is it sufficient to prevent their defaulting on the bond?

Mr. VARNEY. In most cases, yes. In a few of the most difficult situations, they default on a bond. Then the State has to take over and do the regrading.

Senator SPARKMAN. It is simpler for them to pay the bond than it is to do the work?

Mr. VARNEY. Yes, but those are rare instances.

Senator SPARKMAN. Mr. Secretary, are you familiar with the report this committee put out about 3 years ago on underemployment of rural families? There is a more recent one. The earlier report is entitled "Underemployment of Rural Families." It was this same subcommittee which about 4 years ago was making a similar study. What we are doing now is more or less bringing up to date the studies that we made at that time.

I may say the recommendations that we made, following that study—are very similar to the several recommendations that you make in your statement.

Last spring the President in his message of April 27 recommended a start on a good many of these to the Congress. Does the administration plan to push and extend and expand that program?

Mr. MORSE. Yes, sir; and we would hope that that can be done as aggressively as is consistent with good expenditure of money. The reason for suggesting the pilot operations is to be as certain as we can of the most effective way in which to proceed. It takes time to get organization. Also we feel there ought to be great emphasis on the teaming up—and I was interested that the rest of the panel have referred to that—the teaming up of all of the forces in a community or a county, so that it is not just a Federal agency project or not just State agencies. It should be a broad effort of civic, business, church leadership, the educational leadership, industrial leadership—all attacking this problem. It will take time, but we feel the program should be pursued as aggressively as is practical.

This is an area in which there has been neglect in the past. We propose to move forward aggressively.

Senator SPARKMAN. Earlier than the President's message, back in January or February, I introduced in the Senate, and Congressman

Patman of Texas introduced a similar bill—I do not think it was an exact companion bill—in the House in which we sought to carry out the recommendations generally that we had made in the subcommittee's earlier report.

Later the Library of Congress—the Legislative Reference Service—made a three-way comparison of the proposals included in the President's program, the provisions that would be carried out under the bill that I introduced, and the recommendations made by the earlier subcommittee on low-income families. If you haven't seen one of those you may be interested to know that just about every single item in the President's program and in the subcommittee's program was included in the bill that I introduced.

It is true that I included a few that you did not include, in a few instances I went a little further than you went.

For instance, you propose to carry on pilot operations in not less than 50 of the thousand low-income counties in the United States, and I proposed as many as 500. Mine did not necessarily specify pilot studies, but it was a program to go in and assist.

I could go on and make numerous other comparisons.

By the way, if there is no objection, I am going to place this comparison in the record at this point. I think it would be an interesting part of our study.

(The information referred to was inserted in the record at this point.)

Comparison of proposals with respect to increasing the productivity and earnings of low-income farm families as embodied in—

The President's message of Apr. 27 (and specific proposals as listed in Secretary Benson's letter)	Senator Sparkman's bill S. 1199 and Mr. Patman's H. R. 4300	Underemployment of rural families, Joint Economic Committee staff report, 1951
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I. PROPOSED BASE OF OPERATIONS

Launch pilot operations in not less than 50 of the 1,000 low-income counties during the coming fiscal year. In addition, community development programs can be undertaken. The one-fourth of the families on American farms who still have cash incomes of less than \$1,000 per year would be the ultimate group included in the program.	Sec. 3. The President is authorized to determine from time to time from the latest official statistics available to him the counties or areas of the United States, not exceeding five hundred in number at any one time, having the largest low-income farm population and to inaugurate and maintain in such counties a program to effectuate the purposes and policy of this Act.	Special private and public programs are needed specifically to stimulate the 1,000,000 families where the operator is able-bodied, and of working age but produces only one-third as much as similar families on medium sized commercial family farms.
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II. EXPANSION IN RESEARCH, TRAINING AND TECHNICAL ASSISTANCE

<p>1. Expand and adapt agricultural extension work to meet the needs of low-income farmers and part-time farmers.</p> <p>8. Call upon the State Agricultural Colleges to make substantial research and extension contributions to a cooperative venture, employing in part the increased Federal funds already included in the 1956 budget request.</p> <p>2. Develop needed research in farm and home management, human nutrition, population marketing, and in evaluating</p>	<p>Existing agencies would be called on to render special assistance to low-income families or single persons living in rural areas.</p> <p>Further research not specifically mentioned but the applicant, with assistance, would develop a farm and home manage-</p>	<p>Programs must differ from other educational and technical assistance programs primarily (1) in emphasis on items which stimulate these people to acquire an interest in improving their practices, (2) in adaptation of educational materials to reach people with little formal school training, and (3) in integration of educational programs with credit programs to finance adoption of improved practices.</p> <p>Creating an awareness and desire on the part of these families for higher levels of production and family living.</p>
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Comparison of proposals with respect to increasing the productivity and earnings of low-income farm families as embodied in—Continued

The President's message of Apr. 27 (and specific proposals as listed in Secretary Benson's letter)	Senator Sparkman's bill S. 1199 and Mr. Patman's H. R. 4300	Underemployment of rural families, Joint Economic Committee staff report, 1951
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II. EXPANSION IN RESEARCH, TRAINING AND TECHNICAL ASSISTANCE—Con.

<p>experience gained by pilot program.</p> <p>4. Increase technical assistance, such as provided by Soil Conservation Service, to low-income farmers.</p>	<p>ment or family employment plan for increasing productivity and income.</p> <p>Advice of technicians in such fields as soil conservation and supervised agricultural credit for agricultural production and farm enlargement and development would be provided by local and State offices of the Agencies of the Department of Agriculture.</p>	<p>Providing technical assistance in the adoption of improved farm and home practices.</p>
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III. EXPANSION OF CREDIT

<p>3. Provide additional credit for low-income farmers, and extend Farmers Home Administration services to part-time farmers.</p>	<p>(c) To effectuate the purpose of this Act the Secretary of Agriculture is authorized, upon such conditions as he shall prescribe, to insure and make loans of up to twenty-five years at not more than 4 per centum interest for the purpose of financing the enlargement and development of owner-operated family-type farms by acquisition of additional land, establishment of improved pastures and sustained-yield woodlots, construction of adequate farm buildings and structures (including drainage facilities, irrigation facilities, and other facilities for the use, conservation, and improvement of soil and water), and such other related farm improvements as will increase the income-producing ability of the farm unit to a more nearly fully adequate family farm; and</p> <p>(d) To make or to insure three- to ten-year loans at not more than 4 per centum interest advanced by production credit associations and by private lenders for non-real-estate capital investment purposes; to make loans up to fifty years at not more than 3 per centum interest to eligible applicants to acquire and manage on a sustained-yield basis additional forest or cutover land; to make loans for periods up to ten years at not more than 4 per centum interest to enable an eligible applicant to acquire needed logging equipment; to make loans of not more than five years at not more than 4 per centum interest to eligible applicants to purchase capital stock of and pay membership fees to existing or new supply, service or marketing cooperatives including timber marketing and processing cooperatives; and to make loans to refinance existing indebtedness incurred for any of the above purposes on terms and conditions applicable to loans for such purposes: <i>Provided</i>, That creditors will enter into voluntary agreements to make needed adjustments of outstanding indebtedness to realistic income possibilities of the collateral for the existing mortgage or mort-</p>	<p>Coordinated effort should include making available adequate credit on long-term loans at reasonable interest rates for both land purchase (for farm enlargement) and increased working capital. After private credit agencies have been assisted in developing as large and aggressive a program in this field as is possible there will be large numbers of families on inadequate farming units who have no adequate basis for private loans. These should be given a larger place in the Government's farm credit program. Much larger funds are needed for farm enlargement loans.</p>
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Comparison of proposals with respect to increasing the productivity and earnings of low-income farm families as embodied in—Continued

The President's message of Apr. 27 (and specific proposals as listed in Secretary Benson's letter)	Senator Sparkman's bill S. 1199 and Mr. Patman's H. R. 4300	Underemployment of rural families, Joint Economic Committee staff report, 1951
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III. EXPANSION OF CREDIT—Continued

	<p>gages: <i>Provided further</i>, That the Secretary of Agriculture shall establish a variable repayment schedule for all of the foregoing types of loans such that the repayment of interest and principal in any single year shall bear a reasonable relationship to the income of the participating family in that year.</p>	
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IV. THE SPECIAL PLACE OF THE FARMERS HOME ADMINISTRATION

<p>10. Farmers Home Administration should be authorized to make loans to part-time farmers.</p> <p>13. Lending authority of about \$30,000,000 should be provided for the Farmers Home Administration.</p>	<p>Sec. 5. . . . After completion of a farm and home plan (available to eligible applicants whether full-time or part-time farmers), the Secretary through the county farmer committee will render every assistance possible to the applicant and his family in putting the new program into effect, including . . . assistance in obtaining credit needed from private cooperative, or governmental sources . . .</p>	<p>The making of farm enlargement loans and providing the technical assistance necessary to assure success of farm enlargement ventures might well be the major activity of the Farmers Home Administration in the years immediately ahead.</p>
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V. COORDINATION WITH AND ASSISTANCE FROM OTHER DEPARTMENTS

<p>5. Request the Department of Health, Education, and Welfare to encourage States to expand vocational training in rural areas of low income, instituting as many as 12 pilot operations during the school term starting in the fall of 1955 in order to gain experience needed for broad expansion of this extremely vital part of the total program.</p> <p>6. Request the Department of Labor to strengthen the Employment Service in rural areas and further adapt it to the needs of rural people. Areas of rural underemployment should be identified and included as part of the labor market services to make occupational adjustments easier.</p> <p>7. Undertake to get more effective programs developed to induce the expansion of industry in rural low-income areas, using facilities of the Departments of Labor and Commerce and the Office of Defense Mobilization.</p>	<p>Sec. 7. The Secretary of Health, Education, and Welfare is authorized to provide a program of adult vocational training in the designated counties both in farm and home management and in such other farm activities as the family plans of eligible applicants indicate as needed to maximize family income and productivity of family labor within the area.</p> <p>Sec. 6. Whenever the family determines to seek part-time or full-time farm or non-farm employment off the farm, the problem shall be presented to the nearest farm labor placement center of the State employment service cooperating with the Department of Labor. Information concerning farm labor opportunities also shall be made available to the family by State and county farm committees.</p> <p>Sec. 8. . . . It is the policy of the Congress to encourage and stimulate the establishment of new or expanded private industrial, commercial, or service enterprises in widely dispersed rural areas as required to reduce vulnerability to modern war risks and in which, over an extended period of time, because of the number of underemployed rural persons with excessively low incomes, the number of existing industrial, commercial,</p>	<p>Special technical assistance should be provided to help the people in these communities of widespread underemployment to determine their alternative employment opportunities and to acquire the necessary skills to secure employment in the field of their greatest interest.</p> <p>Informational programs on job opportunities in surrounding communities, job training programs and programs for assisting families who wish to move to new locations should be broad enough to reach and assist the part-time farm families and rural non-farm families.</p> <p>Private and public activities to bring new industries into these areas should be stepped up. Existing small-business programs of the Department of Commerce and lending agencies, as well as official decentralization plans should be integrated with other programs to provide fuller employment for workers in low-income rural communities.</p>
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Comparison of proposals with respect to increasing the productivity and earnings of low-income farm families as embodied in—Continued

The President's message of Apr. 27 (and specific proposals as listed in Secretary Benson's letter)	Senator Sparkman's bill S. 1199 and Mr. Patman's H. R. 4300	Underemployment of rural families, Joint Economic Committee staff report, 1951
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V. COORDINATION WITH AND ASSISTANCE FROM OTHER DEPARTMENTS—Con.

	<p>or service enterprises, and the available markets and resources there are reasonable prospects for successful operation of additional private enterprises which would more fully utilize available manpower in rural areas. To effectuate this policy of industry dispersal, the departments and establishments in the executive branch of the Government shall be utilized and coordinated to—</p> <p>(a) provide technical aid and assistance to, and consult and cooperate with, farmers, businessmen, workers, cooperatives, civic organizations, clubs, and committees, community study and planning groups, and local and State governmental agencies;</p> <p>(b) prepare and distribute technical, defense, and economic information on opportunities in and necessities of private enterprise in various industries and areas in order to aid individuals, business firms, civic organizations, and local units of government in developing new or expanded industries best suited to local conditions; and the requirement of civil defense;</p> <p>(c) assist new or expanding industries in finding adequate private financing through local capital or otherwise and where such financing is found to be unavailable, extend Government loans or guaranties under existing authority; and</p> <p>(d) use all appropriate means and authority to encourage and stimulate the maximum expansion in private enterprises consistent with the needs for national defense, with a sound, growing national economy, and with the necessities of civilian defense.</p>	
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VI. LOCAL INITIATIVE

<p>9. Agressively encourage farm, business and other leadership to assume local responsibility and to unite in efforts to aid in the development of agriculture's human resources, using trade area and community development programs to increase incomes of farmers and raise living standards. Expansion of these "self-help" programs should be assisted by the various governmental agencies concerned.</p>	<p>Assistance would be made available to low income rural families who desire to increase their productivity and incomes and who apply for such assistance.</p>	<p>Much of the credit needed for the adoption of improved farm practices must come from private sources administered by local people who know the borrowers intimately. Bringing new industries into these areas is a most worthy project for local and State chambers of commerce and bankers' associations.</p>
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Comparison of proposals with respect to increasing the productivity and earnings of low-income farm families as embodied in—Continued

The President's message of Apr. 27 (and specific proposals as listed in Secretary Benson's letter)	Senator Sparkman's bill S. 1199 and Mr. Patman's H. R. 4300	Underemployment of rural families, Joint Economic Committee staff report, 1951
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VII. PROVISIONS FOR ADMINISTRATIVE MACHINERY

14. The Secretary of Agriculture should coordinate the administration of the total program. A principal official of the Department should be designated to assume the direct administration of the program. Two coordinating committees will be needed: An interdepartmental Committee and a Committee within the Department of Agriculture to coordinate the work of its participating agencies.

The Secretary of Agriculture should be required, in September of each year beginning 1956, to submit a comprehensive report to the President on the progress of activities directed toward alleviating the problems of low income farmers and on plans for advancing the program, thus regularly focusing attention on the program and fixing responsibility for its administration.

Section 4 provides for use of the county farmer committees established under section 8 (b) of the Soil Conservation and Domestic Allotment Act. For certain purposes the Secretary shall make available the services of the local and State offices of the Department and the advice and assistance of other Federal agencies shall be made available.

Section 5 (a) authorizes and directs the Secretary of Agriculture to employ such full-time employees as may be required to carry out the purpose of the Act.

A cooperative State and Federal program of special assistance to counties having high proportions of underemployed rural families should be developed without the creation of any additional agencies and as a part of a program of integrating and adapting the activities of existing agricultural agencies at the country level to meet more efficiently their local problems.

The making of farm enlargement loans and providing technical assistance necessary to assure the success of farm enlargement ventures might well be the major activity of the Farmers Home Administration. The program would require that personnel be assigned to work specifically with small-scale farmers.

VIII. APPROPRIATIONS, ETC.

12. Appropriation requests are being recommended in addition to those in the regular budget for fiscal 1956.

11. Legislation should be enacted which would concentrate special funds outside the present agricultural extension formula for the purpose of conducting pilot programs and extending assistance to low-income farmers.

Sec. 9. There is hereby authorized to be appropriated such sums as may be necessary for carrying out the provisions of this Act.

Additional funds or personnel should not be required but should be available by transfer and reassignment.

Senator SPARKMAN. There are a few questions I want to ask you regarding it, but you may have some comment.

Mr. MORSE. I was going to say I noticed the statement at the time it was placed in the Congressional Record. I remember reviewing it at that time, but I do not have the details in mind now. It has been such developments and the acceptance across the country that gives us confidence that what we call the rural development program is sound. It is one we can all enthusiastically get behind and help push forward. May I comment on why we have selected a name such as rural development program?

There was general agreement there should be no singling out of individuals as depressed people or areas designated as depressed areas, etc., and, hence, this name. Furthermore, when we find community efforts, or county efforts, or trade area efforts, they obviously affect and stimulate activities all up and down the financial scale. So it is

truly a development of the whole of a rural area. It is in that concept, and in that framework that we are consciously directing the efforts to help the low-income people, as we carry forward broad rural development.

Senator SPARKMAN. I noticed Mr. Varney or Mr. Varner, I don't remember which one of you—referred to this program and discussed the part that could be played by the Farmers Home Administration, I believe, to handle the lending that was necessary, but that they ought not to have the job of supervising the farm operations; that the extension service was better prepared for that.

Do I recall that correctly?

Mr. VARNER. I made the statement that I felt that it was appropriate for the farm management program, the educational aspects of this, to be handled by the agricultural extension services; yes, sir.

Senator SPARKMAN. When I think of the work that the Farmers Home Administration might do with low-income families—and here, as I see it, is one of the weaknesses of just carrying on a “pilot” operation. I think there are many low-income families that need some kind of technical assistance, which amounts—I don't like to use the word “supervision”—which amounts to very close following throughout the year, and I have in mind the operations of the old Farm Security Administration, later the Farmers Home Administration.

I have always been impressed with how these agents personally keep in touch with the families, and help throughout the year by giving suggestions and advice. It seems to me if we ever reach the really depressed farm families we have got to do more than just say, “Here are the results that have been obtained down here on this pilot farm. Take them and you will do better.”

It seems to me you have got to have a closer followup than that.

Mr. MORSE. Mr. Chairman, each member of the panel needs to be complimented very much for their excellent statements—

Senator SPARKMAN. I agree with you, and what I say is seeking to elaborate on what has been said.

Mr. MORSE. Yes, but I believe each pointed out that we needed more information. “How do you stimulate some of these people”—and we have raised the question “Some of these folks are pretty happy with their situation now—and why disturb them?”

That is in essence what some say. It is one reason for this pilot work. We would hope there would be a wide variety of approaches; one in Michigan, another in Mississippi, etc. You have referred to areas in which the church functions. We have had some of the church leadership come to us in certain States and say “We hope down here where we have an especially fine group of rural ministers that we can have a pilot operation.” We need the advance experimental work. How is the best way or the better way of moving this work forward? As rapidly as we get the information we ought to move on.

We certainly should not stop at 30, 50, or any number of counties, but translate experience as rapidly as possible into much broader activity. Our fear would be that if we go in on too broad a front that we might spend money and effort unwisely until we get guidelines more clearly set forth.

May I come to your financing question. The banks of this country have about 600 or more agricultural college trained men on their staffs to work with the people that they finance. We don't know

how many of the bank officials and bank staffs beyond these specialists have this type of training and experience.

The Farm Credit Administration we know are following their borrowers through their various avenues of lending. I mention this to say that, again, rather than depending on any 1 agency or any 2 or 3 agencies; all of the private lending organizations—the local businessmen—ought to all be teamed up on this program. In that way we will move this development forward much faster than we can by working through any 1 or 2 or 3 channels. I believe you would agree with that, sir.

Mr. VARNEY. Mr. Chairman, to speak to your last point, I think it is necessary to have an individual working with a lot smaller number of families in a thing like this than in the traditional extension program. In our farm program for example we find that an individual cannot handle efficiently more than about 50 to 150 families.

Senator SPARKMAN. I am glad you put it that way because that is exactly what I am thinking. Nobody has appreciated more the work of the extension service in all of these agencies than I have, but one of you in your papers referred to inadequacy of personnel in order to do the job. I think there is no question about it.

Mr. Secretary, with reference to local banks and Farm Credit Administration, and those agencies, again, I am in full accord with what you said about them, but I am thinking of this farmer who cannot get credit at the bank, and who cannot get credit in the Farm Credit Administration; he might be able to get a crop-production loan, or something of that kind, but I mean he is not able to get the kind of capital he is going to need if he is going to pull out of cotton farming, for instance, and go into a mixed type of farming, and I notice one of your recommendations is a better credit system for him.

I think it is one of the most important, but I think it has got to be one that will go beyond what the commercial banking in our section of the country is willing and able to go, and therefore I think it is going to call for very close supervision, small numbers, as suggested by Mr. Varney.

Mr. MORSE. I would heartily agree with you. That is why our first recommendation was for 30 million more lending authority. As you know the Farmers' Home Administration is the governmental lending agency, now, with the Farm Credit Administration divorced from the Department of Agriculture.

If a farmer is employed off the farm too much of the time we cannot loan to him. That is, if he is employed too much off the farm. It is for such part-time farmers where we need the legislation that we are seeking.

Now, I have found—and my experience goes back many years—that the banks are anxious and willing to do financing for rural development. First of all, we would want the private lending agencies to go as far as they will. Then our Farmers' Home Administration can take the cases where the risk becomes too great. It all fits together.

Senator SPARKMAN. I believe that the Farmers' Home Administration only steps in where the banks cannot handle it. In other words, they clear with the banks, don't they?

Mr. MORSE. Yes. As rapidly as any community says, "Here is a man that we have a program for, and he has possibilities, and he wants

to farm," and the local bank says that "We cannot handle the credit he needs," then the Farmers' Home Administration is ready to help.

Senator SPARKMAN. May I say just one other word in connection with this, and this ties in with the statement made about the need for additional trained personnel; that is, so that each can work with only a small number of families. That is, to work with the low-income families. I think it is necessary to safeguard the collection of the money that is put out there, but also I am sure those people get a great deal of benefit out of the representative of whatever farm agency it may be coming around every once in a while and talking to him about his problems.

I have been out with some of these agents, and I have seen them go to the individual farmer. I know it does a great deal of good to talk with them and ask them what they should do about their cattle or their hogs, or where they can get a milk cow, or just any problem that comes up. I think it has a tremendous lift in the morale of the farmer, and helps him tremendously in increasing his productivity and his production.

Mr. MORSE. I heartily agree with you. In fact, I have said in speaking to bankers, and others, that management advice may be even more important than the credit.

Mr. VARNER. Let me come back to the comment of mine having to do with the Farm Credit and extension service. This is what I said, and I want to elaborate upon this a bit.

I said we feel there is a substantial fraction of the low-income farm group in Michigan who can productively and effectively earn a living in agriculture, but in order to do this we feel there are two deficiencies which need to be overcome. One of them is a deficiency in management which is required if a farm is to be successful.

The second is adequate credit, which has been supported by many members of the panel.

Now, the point I made was that the Farmers' Home Administration, or some such agency, seems to be an appropriate one to handle the credit because it is a high-risk operation. If, however, there is an accompanying educational program, which I believe to be necessary, then the most appropriate agency in the State of Michigan to conduct such an educational program with farmers, whether high income or low income or middle income, is Agricultural Extension Service.

I should say further it is not possible for the Agricultural Extension Service to provide this kind of intimate, educational leadership with the workload which is now imposed upon the Agricultural Extension Service, where we now have an average of 1,800 farms for 1 agent. If we are to do it well we must reduce the load to 100 or 150 farmers. This is what we are attempting to do in the township extension program. We are also doing this in some similar kinds of programs which have been made possible by the expanded appropriations from the Congress for agricultural extension work. I come back to the point—if there is to be an educational job done in the State of Michigan with low-income farm families I do not believe there is a more appropriate agency to do it than Agricultural Extension Service.

Senator SPARKMAN. I certainly do not take issue with you as to what agency. To me it makes no particular difference which agency does it, provided it is done. I think Mr. Varney put his finger on it when

he said there was a lack of adequate personnel. The only reason I referred to the Farmers' Home Administration was because of the type of work they have been doing, which certainly you recognize by mentioning it, in connection with its credit operations, but it seems to me the same man who goes out to see how the collateral is being taken care of could at the same time be the man to talk to the farmer and to his wife, and to the boys, about what is going on out there.

Mr. VARNEY. If he is technically trained.

Senator SPARKMAN. I should think he would be.

Mr. MORSE. Mr. Chairman, I would plead for teamwork on this, and I think that is important.

Senator SPARKMAN. I agree with you. I think it is necessary that all of the agencies collaborate.

Mr. MORSE. Here is the Federal Government, one Government appropriating funds. The agencies should not go out and operate as if they were serving different governments. It just doesn't make sense.

Senator SPARKMAN. I certainly agree with you it doesn't.

Mr. MORSE. Just one further comment on credit. So that Government funds are not tied up and so that these folks move back into private financing, we suggest they get other than Government loans as soon as they are ready. We think that is healthy progress.

If the Farmers' Home Administration starts with a farmer—as soon as he gets in a position so that he can handle his financing satisfactorily through private lending agencies, we encourage him to make the shift so his loan money then can be used for others who need this starting assistance.

Senator SPARKMAN. That is right.

Miss Cresswell, would you like to make a comment?

Miss CRESSWELL. Having done some work for both of those agencies I am happy to have observed some of the splendid results in both cases.

I was interested, of course, in setting up a home-management program for the Farm Security Agency, which you mentioned. Since that time, and now especially, being retired and having nothing to do but meddle with other people's business, I have had the pleasure of visiting some of these families with whom the Farmers' Home Administration worked back there in 1933, 1934, 1935, 1936, and so forth, and who are now actively participating in all the community programs.

It has been my observation that as soon as they get adequate credit, and if they have the capacity, which many of them do, to come up, they will then go to regular channels both as to their further credit needs and as to their social relations. I would drop a word of warning, however, that I did see a few things that I thought were not so favorable, judging from the standpoint of sociology. There is some danger in setting apart a low-income group and saying, "Here are the borrowers. They all borrow from a certain source, so they will all meet together here at the schoolhouse and do a certain thing." I don't like that, and I am sure that you don't either, and that is something which should be watched.

And, above all things, I would like to add my small word of support to what Mr. Morse said: We do need unity between these agencies. You should give them responsibility and should have them work together; if they are really working for people and for advancement

of community interests, disunity won't occur. Disunity between agencies out there in the field is fatal.

Senator SPARKMAN. Thank you, Miss Cresswell. I certainly agree with you.

Miss Lowry, do you have something to say?

Miss LOWRY. I would like to underscore this teamwork idea, because I think we are beginning to see how it can begin to help make use of resources in a few of the things that are happening in connection with migratory farmworkers.

Senator SPARKMAN. Mr. Whitman, do you have something to add?

Mr. WHITMAN. Simply a word to the effect that it does seem that there is something of a common denominator in a lot that has been said here about this question of helping these people to help themselves. It is quite obvious that all of us do feel that it is not a job that could be carried out in isolation, but one that requires this high level of cooperation right down to the very local situation itself.

Senator SPARKMAN. Mr. Varner?

Mr. VARNER. I can only say this: Certainly any comment I have made should not be interpreted as my not being in favor of cooperation, although it seems to me we need to define some areas of responsibility rather carefully for this reason: When we get into the State and out into the counties and communities we have one farm family which may be receiving all sorts of educational or supervisory or credit kinds of services from several different agencies. For that reason it seems to me that we should have a rather clearly defined area of responsibility for the respective agencies, and then expect teamwork from the agencies within their areas of responsibility.

Senator SPARKMAN. Mr. Varney, do you have something further?

Mr. VARNEY. I have nothing further.

Senator SPARKMAN. Dr. Ensley?

Mr. ENSLEY. Mr. Chairman, you will recall that we held hearings on low-income families 6 years ago, in 1949. I have been quite impressed this morning with the new lines of endeavor that have been undertaken since these earlier hearings. While statistics are lacking to show whether or not low-income families in rural areas have improved their conditions, I sense that things have not deteriorated.

Mr. Secretary, I wonder, in light of this observation, you would indicate the relationship between the decline which has occurred in recent years in aggregate net farm income, which we read about in press releases from the Department of Agriculture, to this lower-income group?

Mr. MORSE. Unfortunately, we do not have the statistics to give an accurate answer to your question.

I understand about 30 percent of the present income of people classed as farmers is coming from nonfarm sources. This would mean that this nonfarm source of income from off-the-farm employment, as it is referred to, is becoming increasingly important. It is important in every State, and obviously the people who normally seek such off-farm employment or supplemental income tend to be those on the small farms, with the poor soils, and where the farm income is low.

The present high level of employment has contributed to this off-farm employment to the extent that many farm families are sharing in the present high level income of the Nation as a whole. It tends to underscore and add emphasis to the fact that, where there are not

adequate agricultural resources—or a limit on the agricultural resources—that we need to have supplemental income for farm families.

Mr. ENSLEY. Then the real brunt of the decline in aggregate net farm income has hit primarily commercial agriculture?

Mr. MORSE. It has affected both, but I would judge that it breaks down this way: Where there are off-farm employment opportunities along with the full employment that we have at the present time that that many farmers are sharing in the high-level national earnings.

In the commercial areas they, of course, have suffered from lower prices.

In the areas where there is not sufficient of this supplemental job opportunities, obviously they would likewise share in the reduced agricultural income.

Mr. ENSLEY. That is all I have. Thank you very much.

Senator SPARKMAN. Do you have anything, Miss Snyder?

Miss SNYDER. No, sir.

Senator SPARKMAN. Is there anything else anyone wants to say?

Mr. MORSE. May I double back on your question to say that the per capita income of farmers, as you probably know, has pretty much leveled off. Our statistics showed first that last year it increased, but the later revised figures showed a decline of \$5 income per farmer. No doubt one reason why it has leveled off is the fact that there is more of the supplemental income which farmers have access to, where they are underemployed. This panel has referred to the need for full employment when the farms don't provide such. Part of the problem is seasonal, as the chairman would know.

You produce a cotton crop in a few months of the year, and then the rest of the time the farmer may be largely idle. It is just one illustration.

Tobacco is another illustration, and there are other crops where families have specialized and there is not all-year work. If we could give these folks full employment it would go a long way in providing higher incomes.

Senator SPARKMAN. Thank you very much.

I want to express appreciation to each and every one of you for your part in this discussion. I think it has been most helpful, and will be a valuable part of our record.

The afternoon session will be held in this room at 2 o'clock. At that time we will have a panel discussion on the subject of rehabilitation of depressed rural areas.

The subcommittee stands in recess until that time, 2 o'clock in this room.

(Whereupon, at 12:28 p. m., a recess was taken until 2 p. m. of the same day.)

AFTERNOON SESSION

The subcommittee met at 2 p. m., the Hon. John Sparkman (chairman of the subcommittee) presiding.

Present: Senator Ralph E. Flanders.

Also present: Grover W. Ensley, staff director, and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Let the subcommittee come to order.

Senator Flanders is delayed a little while. He will be here a little later, but we should get started.

This afternoon we shall continue the discussion commenced this morning on the problems of the low-income rural population. In particular, the topic for discussion this afternoon is the rehabilitation of depressed rural areas.

I shall merely note that members of this panel were asked to consider this problem within the framework of a set of illustrative questions relating to depressed rural areas. The questions, which were published earlier by the subcommittee, have been included in the record.

We have with us this afternoon a very outstanding panel of persons who have devoted much time and thought to the problems now under consideration. I am confident that this session will contribute much to an understanding of the magnitude of the problems we are tackling and of the ways and means by which, working together, we can solve them.

I would like to go around the table and introduce each panelist in turn. Each panel member will present, in 5 or 10 minutes, a brief summary of his detailed statement; the remainder of the session then will be available for discussion.

I hope we shall have discussion in which all members of the panel will take part, quite informally, frankly, freely, and fully.

The complete, detailed statements of each panelist will be printed in the record in full. I want to emphasize again that we wish everyone to feel free to participate in the discussion, not only in response to questions that I may ask, but commenting upon statements that the others on the panel may make.

Now, let me first introduce the group: Miss Fay Bennett, executive secretary of the National Sharecroppers Fund, who will read the summary of the prepared statement of Frank P. Graham, chairman of the fund. Mr. Graham also is, I should note, the representative in India and Pakistan for the United Nations, with the very knotty problem of trying to solve the Kashmir question. I am sorry he could not be with us, but we are glad to have Miss Bennett to pinchhit for him.

We have Mr. Charles E. Bishop, professor of agricultural economics, North Carolina State College; Mr. Olaf F. Larson, professor of rural sociology, New York State College of Agriculture, Cornell University; Mr. Erven J. Long, professor of agricultural economics, University of Tennessee; Mr. William H. Nicholls, professor of economics, Vanderbilt University.

Mr. Black, I don't know how I happened to overlook your name. It is right here before me. Mr. John D. Black, professor of economics, Graduate School of Public Administration, Harvard University.

MR. ENSLEY. Mr. Chairman, I might also say Professor Black is the current distinguished president of the American Economics Association.

Senator SPARKMAN. Now he will have to give us a good strong statement.

Miss Bennett, will you proceed now?

STATEMENT OF FRANK P. GRAHAM, CHAIRMAN, NATIONAL SHARECROPPERS FUND (READ BY FAY BENNETT)

Miss BENNETT. Thank you, Senator Sparkman.

I am very happy to be here. I am sorry Dr. Frank P. Graham isn't here in my stead. I am sure he would feel much more at home with this illustrious panel than I do and no doubt my being called first is not because of my academic qualifications, but because of my sex. However, I will take this opportunity and give this oral summary of Dr. Graham's statement.

We in the National Sharecroppers Fund are concerned particularly with the desperate situation affecting several millions of people who are the day laborers, sharecroppers, tenant farmers, migrants, and small marginal farmers in our country. Their poverty-stricken lives are in sharp contrast to the well-fed, comfortable lives of most Americans.

Senator SPARKMAN. Miss Bennett, I wonder if I might interrupt? I wonder if it might be well if the record might show just what the National Sharecroppers Fund is.

Miss BENNETT. The National Sharecroppers Fund is a nonprofit organization, incorporated under the laws of New York State as a philanthropic organization. It is primarily an educational organization, made up of leading educators, public-spirited citizens from about the country who are concerned with this problem of sharecroppers, tenant farmers, migrant farmworkers.

We have been in existence for about 20 years and, as I say, we are concerned with these problems, we attempt to let the public know what they are and we do give actual aid to groups trying to improve conditions of migrants and farmworkers.

Senator SPARKMAN. How is it supported?

Miss BENNETT. It is supported by private contributions of individuals.

Senator SPARKMAN. Voluntary?

Miss BENNETT. Voluntary contributions.

Senator SPARKMAN. Thank you. If you would go ahead now.

Miss BENNETT. While income of other groups of our population has been rising steadily, the income of our farm population has been declining steadily. We know from our studies around the country that the farm people on the bottom of the economic scale actually do not have enough food, proper clothes, proper housing. It is a sad thing that our great and wealthy country is not able to solve this problem, so that these people who actually work in the fields to produce the food and the fiber cannot properly clothe and feed their children.

They live in houses which we could call shacks, they don't have running water in many cases, nor electric lights. The neglect of health and education among these rural poor is appalling.

These farmworkers, struggling to find paying jobs on the farm, are faced with added competition of Mexican nationals and illegal

wetbacks. This number increases each year. Just yesterday in the New York Times I cut out a piece which said that this year thus far over 350,000 Mexicans came in legally under contract to work on the large crops. This is competition which American farmworkers must face. These Mexicans who come in are given contracts which have minimum requirements. They have to have certain housing, certain minimum pay, and certain hours. They are told that they are guaranteed a certain wage for the week, or certain hours of work. None of these guaranties are ever given to American workers. Our Government seems unconcerned as to the standards which American workers face in the fields. There are no laws which protect them at all.

There is one instance in which our Government is concerned about wages to farmworkers, and that is in the sugarcane industry, because of the American Sugar Act, the price paid to workers is set. It is supposed to be governed by the cost of sugarcane. However, the price paid to farmworkers is under 50 cents an hour. The topmen in sugarcane, skilled workers, will get 42 cents an hour, unskilled workers will get something in the 30 cents per hour range. One can imagine how one could feed and clothe and support a family, sometimes large families, on that amount.

As I have said, not only are these farmworkers the poorest off in our whole economy, but the least is being done by our Governemnt to help them. Minimum wage and maximum-hour laws do not apply to farmworkers. Unemployment insurance is a cushion farmworkers do not receive. The right to organize and bargain with employers is not written into law for farmworkers. Even the new law extending old-age and survivors insurance to some agricultural workers does not cover them all.

Thus far Government programs to aid agriculture have resulted in benefits to the giant farm corporations and have caused a further squeeze against the little farmer. If this policy continues, the farmland of our country will be in the hands of the big corporations and the small farmers will be forced off the land. More and more migrants, with their miserable conditions, will be sought to work the factories-in-the-fields of the large farm corporations. If this happens, it will be a sad day for America.

A step in the right direction for the family farmer, we believe, is Senator Sparkman's bill, S. 1199, the Family Farm Development Act. Its provisions should be enacted into law.

It would be a very great step in the right direction to help the small family farmers meet some of his problems and stay in business.

I would like to suggest some concrete legislative steps to benefit the farmworker, the man who doesn't own his own farm but who works the land. I would like to suggest, one, extension of applicable provisions of the Fair Labor Standards Act to agricultural workers. At present they are not covered at all.

Two, extension of unemployment insurance benefits to agricultural workers. They have long periods of work and nothing to fall back on. Their wages are so low they don't have any savings. Elimination of remaining exemptions in old-age and survivors insurance for agricultural workers would also help.

Three, removal of the exemption applying to agricultural workers from the Labor Management Relations Act, and extension of the right

to organize and bargain with employers. This should apply to all agricultural processing industries as well, which are now exempt.

Four, an amendment to Public Law 78 (governing the importation of foreign contract labor), stipulating that the Secretary of Labor hold public hearings to determine the need for the importation of foreign workers, the prevailing wages to be paid, and to provide that the same benefits offered to the foreign workers be offered to domestic workers prior to the approval of importing foreign workers.

Five, penalties for persons who knowingly employ or transport illegal aliens on farms or in industry.

At this point, may I say, Mr. Chairman, we are not against Mexicans nor do we oppose the desire of the Mexican poverty-stricken farm worker to better his conditions. We know he comes here because he is so poor at home that even the low wages paid here are an improvement. We would like to see something done by our great country to help Mexico help its farm workers, but we feel that there is no answer in letting them come in to undermine existing conditions here.

In conclusion, Mr. Chairman, we believe that a concerted effort by all branches of our Government should be made to improve the economic condition of our underpaid farm population; to improve their health and educational opportunities; and to bring them a greater measure of justice and security.

Thank you for this opportunity to present the views of the National Sharecroppers Fund on behalf of its chairman, Dr. Frank P. Graham.

Frank Graham could not be here and he is very sorry not to be here. I will also say, Mr. Chairman, I will stay for a while, but I am not able to stay through the end. I was unprepared in coming and probably will not be able to participate with this panel. We will watch for the record and give it our close attention as we are sure this committee will and it is our earnest hope that the suggestions made will truly help the lowest paid group of people in our country.

Thank you, Senator Sparkman.

Senator SPARKMAN. Thank you very much.

I understand you are having to leave, but I want to invite you to stay as long as you can and participate with us.

Miss BENNETT. Thank you.

(Mr. Graham's complete statement appears on p. 755.)

Senator SPARKMAN. Now Mr. Bishop.

STATEMENT OF CHARLES E. BISHOP, PROFESSOR OF AGRICULTURAL ECONOMICS, NORTH CAROLINA STATE COLLEGE

Mr. BISHOP. Thank you, Senator.

I would like to direct my comments to three points: First, a brief statement on the current situation; secondly, how it developed; and thirdly, what in my judgment can be done about it.

First, I should argue that the low incomes of farm families result basically from the kinds of resources which they have to work with and the uses which they make of them. The age structure of the population in low-income areas affects productivity in that the dependency ratio is high and a relatively large proportion of the income must be allocated to subsistence of household members.

Low-income families in agriculture have large amounts of labor in relation to land and capital. Under such conditions, labor tends

to be employed in uses which absorb large quantities of labor per dollar value of product and which yield a low return per unit of labor employed.

Productivity of labor is not considered in current methods of identifying labor surplus areas. Actually, there are large quantities of idle labor on southern farms. The use of this labor in agriculture, however, would add very little to incomes of farm families unless additional capital is invested in agriculture.

An increase in the amount of land per worker will not greatly increase incomes of farm families in the South unless capital investment per worker is increased. The productivity of additional capital in southern agriculture is high. A recent study from North Carolina indicates that, at currently existing interest rates and expected prices of farm products, it would pay farm families on a typical low-production farm in the southern Piedmont to increase capital investment threefold.

When resources are employed in uses where the productivity is lower than could be obtained in other uses, the Nation suffers and gross national product is smaller than could be obtained by a reallocation of resources. In studies which have been conducted in North Carolina, it has been determined that it is not possible to efficiently utilize all of the labor resources currently employed in agriculture. Without migration, it is impossible to increase the productivity of labor in agriculture to a level as high as current productivity of labor in nonfarm uses.

The low-income situation in agriculture has been brought about by certain factors underlying the supply of and demand for farm products. Farmers have been stimulated to increase output by war demands, price supports, generally prosperous economic conditions, and technological developments in agriculture. It has been necessary to expand production per farm to employ profitably many of these technological improvements. This has increased the supply of farm products. The nature of the demand for farm products is such that an increase in quantity brings about a proportionately greater decrease in price than the increase in quantity. Prices of farm commodities also are held down by the fact that as consumers' real income increases a larger proportion is spent for nonfarm commodities and a smaller proportion for farm commodities. Another factor contributing to falling farm prices is declining export markets.

Depressed areas within agriculture have developed because these areas have failed to keep pace with the economic progress in other sectors of the economy. Geographic concentration of industrial development and variations in rates of technological development in agriculture have caused some regions to forge ahead in productivity and in incomes.

A few comments now on what can be done about the situation.

The problem of depressed areas in agriculture is of long standing. Public policy can be used to increase the productivity of resources currently used in low-production agricultural areas. The policy which should receive top priority in reducing the low-income problem is to maintain a high level of employment and encourage expansion in real gross national income. Creation of an economic environment which is favorable to expansion of nonfarm plant and equipment will result in more productive alternatives to low-income farm families.

In order for an expansion of employment opportunities to be effective, information regarding employment opportunities must be transmitted to the people on low-production farms. Many people on such farms do not even know what Government employment offices exist.

Also, industrialists need information relative to labor supplies in low-income areas. In a full-employment economy, labor supplies will become increasingly important in industrial location.

Increasing incomes of families in low-income agricultural areas is a two-pronged problem; labor must migrate to nonfarm employment, and adjustments must be made in agricultural production to increase the productivity of labor. Research indicates that an investment of additional capital would be highly productive in agriculture. Collateral required as a basis for obtaining loans serves as an impediment to adjustments by low-income farm families. Also, due to the high-income instability in agriculture, farmers are reluctant to borrow funds.

Reduction of risk of loss due to income instability can be accomplished by establishing planning prices for farm commodities. A reduction in risk would encourage private lending agencies to make loans to farmers on the basis of expected productivity of the loan.

Price policies, alone, with benefits based on resources ownership cannot solve low-income problems in agriculture. Furthermore, a land-bank policy cannot solve these problems unless large per-acre payments are made to people on small farms. Land-bank payments could be used to provide capital for migration of farm families to nonfarm sectors. A program of industrial expansion coupled with migration payments would go a long way toward removing the low-income problem in agriculture.

Adjustments also need to be made in existing farm programs. Current farm programs provide for production quotas on some commodities with the provision that allotments are forfeited after some specified period of underplanting. This provision does not permit the flexibility in resource use which is desirable in an expanding economy. A change in allotment programs to permit underplanting without penalty will encourage migration and will provide an incentive for farmers to organize their farms in a manner consistent with current market conditions.

In the long run, the productivity of people on low-income farms will be determined by their education and vocational training. Equalization of educational opportunity must be considered as a problem of the Nation at large and can best be accomplished with a program of Federal aid to education.

(Mr. Bishop's complete statement follows:)

THE ORIGINS AND POLICY IMPLICATIONS OF LOW INCOMES AMONG AMERICAN FARM FAMILIES

Charles E. Bishop, North Carolina State College

Incomes of farm families are determined by the kinds of resources controlled and the uses which they make of their resources. Productive capacity is determined by the kinds of resources controlled. The uses to which resources are placed affect resource productivity and family incomes. In this paper I shall indicate some of the factors associated with low incomes of farm families in the South and point out some problems involved in increasing their incomes.

THE INCOME SITUATION

Numerous studies have demonstrated that there are proportionately more families in low-income groups in agriculture than in nonagricultural industries and that low-income farm families are proportionately more numerous in the South than in other regions of the country. In a recent study, I estimated that in 1949, the mean net income from agriculture per white farm family in the Southeast was approximately 32 percent less than the mean income of white nonfarm families in the Southeast, and 40 percent less than that of nonfarm families in the non-South.¹ The net income derived from agriculture per farm family in the Southeast in 1949 was \$1,611 compared with \$3,675 per farm family in the non-Southeast.

This relatively low-income position of the Southeast is of long standing and has become more acute rather than having improved over time. In 1929, the ratio of net incomes from agriculture per farm operator in the Southeast to that of farm operators in the rest of the Nation was 0.59. This ratio decreased to 0.51 in 1945 and to 0.44 in 1950.

Productivity of labor in agriculture

A high proportion of the labor on farms in the South is in unproductive age groups. In 1950, the dependency ratio (number of persons under 15 years and over 70 years per 100 persons 20 to 64 years) for farm households in the South was 80.0 in comparison with 65.2 for farm households in the non-South.² A large proportion of the incomes of southern farm families, therefore, is devoted to subsistence of family members which contribute little or no income. Also, households with a high dependency ratio often find it necessary for some individuals of working age to devote full time to the care of dependents.

Age composition of members of farm households affects productivity and incomes in another way in that as the farm operator becomes older he is less inclined to invest capital in agriculture.³ Changes in resource use are difficult to accomplish in areas where a large proportion of the farm operators are in older age groups.

Farmers in the South have larger quantities of labor per unit of other resources and employ larger quantities of labor per dollar value of product than farmers in most other regions of the United States. The productivity of labor is low and underemployment of labor is high in the South. A high proportion of the labor on low-production farms is not employed in income-generating uses. For example, on low-production farms in the southern Piedmont of North Carolina approximately 40 percent of the farm family labor resources (excluding those employed in nonagricultural work) is not productively employed.

Even if this idle labor were employed in agriculture, however, the incomes of farmers in low production areas could not be increased to levels as high as incomes of farmers in other regions. On the average, farms in the Southeast use about 77 percent as much labor per rural farm male resident 14 years old and over as farms in the rest of the United States. The average return per hour of labor on southeastern farms, however, is only about 65 percent of the average return from labor on farms in other regions. Furthermore, given the kinds of farm commodities now produced and the methods of production currently employed, the use of additional labor on farms in the Southeast will add very little to the incomes of farm families.

A recent study indicates that the productivity of additional labor in farm production in Alabama, for example, is approximately 42 percent less than the productivity of additional labor in northern Iowa.⁴ A study in the southern Piedmont of North Carolina indicates that, on the average, labor on low-production farms is used up to the point that it yields a return of only about \$1.20 per 9½-hour day of additional labor, and that the rate of return decreases as the amount of labor used increases.⁵

¹ Bishop, C. E., *Underemployment of Labor in Southeastern Agriculture*, Journal of Farm Economics, vol. 36, p. 268. In this study the Southeast included Virginia, North Carolina, South Carolina, Georgia, Kentucky, Tennessee, Alabama, and Mississippi.

² U. S. Bureau of the Census Report, *Farms and Farm People*, June 1953, p. 55.

³ Heady, E. O., et al., *Interdependence Between the Farm Business and the Farm Household With Implications on Economic Efficiency*, Iowa Agricultural Experiment Station, Research Bulletin 398, June 1953.

⁴ Heady, E. O., and Shaw, Russell, *Resource Returns and Productivity Coefficients in Selected Farming Areas in Iowa, Montana, and Alabama*, Iowa Agricultural Experiment Station, Research Bulletin No. 425, Ames, April 1955.

⁵ Sutherland, J. G., and Bishop, C. E., *Possibilities for Increasing Production and Incomes on Small Commercial Farms, Southern Piedmont Area, North Carolina, North Carolina*

The low productivity of additional labor explains why labor is idle. Since farmers in the South have large quantities of labor in relation to other resources, they have concentrated on the production of commodities which use large amounts of labor per dollar of output. These commodities yield a high return per unit of land and capital used in production. On the other hand, they yield a low return per hour of labor employed.

Productivity of land

Productivity of land is high on low-production farms. The extent to which additional land per worker would increase incomes, however, depends on the amount of capital which farmers have to use in combination with the land. Most studies indicate that additional land will add very little to their incomes unless farm families in the South can get more capital to use on their farms and can change the kinds of products which they produce. The study in the southern Piedmont of North Carolina concludes that, on the average, unless the farmers could obtain additional investment capital, incomes on low-production farms in that area would be increased by only \$3.60 by adding an additional acre of land. Several studies in Kentucky show similar results.⁶

Productivity of capital

Farm families with large quantities of labor per unit of land need not have low incomes if sufficient capital can be obtained to increase the productivity of labor. But, the fact is that families on low-production farms usually have small amounts of capital as well as small amounts of land. For example, as compared with the Corn Belt, farms in the Southeast have about one-third as much capital per worker in agriculture. Productivity of capital is high in the Southeast and an increase in capital investment would make it possible for farmers on low-production farms to alter farming systems in a manner that would increase the productivity of labor and increase incomes.

On a typical small farm in the southern Piedmont of North Carolina it would pay farmers to increase their investment threefold if capital could be obtained at an interest rate of 5 percent.⁷ The amount by which potential income would be increased by additional investment is shown in table 1 for optimum farming systems as determined from recommended production practices and expected farm prices.

TABLE 1.—Returns from additional investment in optimum farming systems on a typical nonmechanized farm with 27 acres of cropland, southern Piedmont area, North Carolina

<i>Additional investment (dollars)</i>	<i>Increase in annual net income per additional dollar invested in the specified ranges</i>
Up to \$4,300.....	\$0. 519
\$4,301 to \$6,500.....	. 457
\$6,501 to \$7,000.....	. 408
\$7,001 to \$8,000.....	. 244
Over \$8,000.....	. 000

THE ORIGINS OF LOW INCOME

In this section, attributes of the supply of and demand for farm products will be examined as to their effects on prices of agricultural commodities relative to prices of nonagricultural commodities and their relation to depressed areas within agriculture.

Terms of trade move against agriculture

Low prices have resulted from the increased output of farm commodities. Farmers were stimulated to increase output by war demands, support prices, generally prosperous economic conditions, and the development of machinery and equipment, new fertilizers, and improved breeding of plants and animals.

Agricultural Experiment Station Technical Bulletin No. 117, North Carolina Agricultural Experiment Station and U. S. Department of Agriculture cooperating, Raleigh, November 1955.

⁶ For example, see G. L. Johnson, Sources of Incomes on Upland Marshall County Farms, Progress Report 1, Kentucky Agricultural Experiment Station, 1952.

⁷ Sutherland and Bishop, *op. cit.*

Improvements in technology have greatly expanded the productive capacity and reduced costs of production in agriculture. Farm production per dollar spent in production was 32 percent greater in 1950 than in 1910.⁸ The decline in real costs has provided an incentive for expansion of production. In fact, it has been necessary for individual farmers to expand production in order to reap the gains from mechanization. For example, the purchase of a self-propelled combine would increase per unit costs on a small acreage of wheat but would decrease costs on a large acreage.

The rate of increase in the supply of farm products has exceeded the domestic growth in demand for farm products. Due to the low price elasticity of demand for farm commodities, this "excess" supply has created downward pressure on prices of foods and fibers. When the supply of farm commodities increases, the percentage decrease in price is greater than the percentage increase in quantity purchased.

The prices of farm products are also depressed by the low income elasticity of demand for farm commodities. The capacity of the individual to consume food and clothing does not increase proportionately to increases in his income, and, as consumers' real incomes increase a large proportion of income is spent for nonfarm commodities and a smaller proportion for farm commodities.

The farm-income problem has been further aggravated by the fact that farm families have had a higher net reproduction rate than nonfarm families. This has made migration from farm to nonfarm sectors of the economy necessary for large numbers of people in order to attain returns for resources used in agriculture equal to the returns received for comparable resources in nonfarm uses.

An additional factor contributing to the decline in incomes in agriculture has been the decline in purchases of farm products by foreign countries. The dollar shortage and high prices have restricted foreign sales of United States farm products. The export market is an important outlet for producers of commodities such as cotton and tobacco which are important commodities in low-production areas. In 1954 receipts from tobacco and cotton made up 62 percent of the receipts from the sale of farm products by North Carolina farmers.

Depressed areas within agriculture

Over the long run it has been profitable for farm families to transfer labor to nonfarm employment. There have been large variations in the regional structure of industrial development, and some families have found it necessary to migrate for longer distances than others in order to reap the benefits from industrialization. Imperfect knowledge concerning employment opportunities and lack of capital to finance migration have resulted in those families who were nearest the centers of industrial development reaping proportionately more gain from industrialization than farm families who live in remote areas.

Transfer costs are involved in migration, and it is not undertaken without expectation of rewards from the transfer. The manner in which nonfarm employment and incomes have fluctuated in the past has given rise to unfavorable expectations concerning employment and has impeded the migration of many people. Many migrants expect that they will be forced to return to the farm in a short period of time. In the southern Piedmont of North Carolina, a high proportion of the farmers on low-production farms in 1951 indicated that they likely could earn higher incomes temporarily in nonfarm employment than from farming. Many indicated, however, that they did not attempt to locate nonfarm jobs because they did not think nonfarm employment would be stable over time. The expected instability in nonfarm employment and wages, in addition to the fact that individuals must leave the areas where they have close kinship and friendship ties, has restricted migration and has tended to increase the income differential between low-production agricultural areas and highly developed industrial areas.

Differences among regions in incomes of farm families also have been influenced by regional variations in impacts of technological improvements in the production and marketing of farm commodities. Incomes of farm families in low-production areas have not declined; they have failed to keep pace with the progress that has been made in incomes in other areas. For example, between 1910-14 and 1945-48, the amount of labor used to produce a bale of cotton decreased only 34 percent, and the amount used to produce 100 pounds of tobacco

⁸ Schultz, T. W., *The Economic Organization of Agriculture*, McGraw-Hill Co., New York (1953), p. 109.

decreased only 2 percent. This compares with a decrease of 68 percent in labor used to produce 100 bushels of wheat, and a decrease of 50 percent in the amount used to produce 100 bushels of corn.⁹ These large decreases in labor inputs have been accomplished by increasing yields and by substituting machinery for labor. As pointed out above, in order to employ profitably much of the machinery which has been developed it has been necessary to produce a large volume of output. Since farmers in areas with a high man-land ratio encounter difficulty in increasing the size of enterprise sufficiently to decrease per unit costs through mechanization, their incomes have been decreased relatively by the development of laborsaving machinery.

The fact that machinery and equipment have been developed which increase the productivity of labor in commodities that are relatively more important in the higher income areas in agriculture cannot be overlooked as a factor contributing to differences in incomes among areas. Many farmers in low-production areas currently use essentially the same methods of hand tillage as were used a generation ago. Using the same methods of production as were previously used, these farmers have been unable to increase their productivity to a level enjoyed by farmers employing more advanced technology.

The lag in incomes in low-production areas has been accompanied by a lag in the decrease in birthrates and a growth of labor in relation to land resources. This has given rise to a premium on capital and extensive use of labor in low productivity uses. Instability of incomes has caused farmers to be reluctant to assume the risk involved in obtaining investment capital needed for efficient farm operations. Many farmers are reluctant to change techniques or to sacrifice equity capital for fear of not being able to meet obligations during periods of falling prices or periods of low yields of farm commodities. These factors have resulted in a stagnation of methods of production in many low-production farm areas.

POLICY IMPLICATIONS

The prolonged condition of relatively low productivity on a high proportion of the farms in the United States points up the need for policy measures to remove the barriers to more productive use of resources owned by families living on such farms. The causes of the low productivity of labor in agriculture are numerous, and no single policy measure is likely to be sufficient in equalizing the productivity of comparable resources throughout the economy. Furthermore, the problem of depressed areas in agriculture is of long standing, and the solution will involve long-term policy measures. The following actions by the Federal Government would materially increase the productivity of labor currently living on low-production farms.

Maintain full employment and increase real gross national income

Maintenance of full employment and an expansion of real gross national income should constitute the first line of attack against the low-income problem. The Federal Government influences industrial development through its tax policies, monetary policies, and purchases of goods and services. Policies which encourage expansion of employment and construction of plant and equipment provide additional opportunities for low-income farm families and encourage adjustments in resource use.

The extent to which the incomes of families in depressed areas will be affected by industrial expansion will depend in part upon the nature and location of additional industry. Obviously low-income families will transfer more readily to local nonfarm employment than to employment which involves migration. Also, if farm families are to transfer to nonfarm jobs, they must expect to gain, over the long run, from the transfer. The manner in which the economy has operated has contributed to reluctance on the part of the people to transfer occupations. If confidence can be instilled into the people that employment and production will be at high levels in the future, this would further migration and help solve the low-production problem in agriculture. Furthermore, this kind of aid does not involve special treatment to particular groups, and it would be of benefit to the economy as a whole.

Provide information concerning alternatives

In spite of the large increase in employment and production which has taken place since 1939, there were 2,647,000 farm families in the United States in 1954

⁹ Hecht, R. W., and Barton, G. T., Gains in Productivity of Farm Labor, USDA, Technical Bulletin No. 1020, December 1950.

with incomes less than \$2,000 and 59 percent of these lived in the South.¹⁰ In order for an expansion of employment opportunities to be effective in providing more productive employment for low-income families, information regarding employment opportunities must be transmitted to the people on low-production farms.

Many farmers lack information concerning possible uses of their resources. In a survey conducted in 1951 in the southern Piedmont area of North Carolina, for example, only 2 percent of the adult members of farm operator families living on low-production farms had been to the local office of the employment service during the preceding year to seek employment. Most of these families were not even aware that governmental agencies provided information at local offices concerning employment opportunities. A much more widely publicized means of advertising for job recruitment is needed in low-income areas.

Industrial development and the transfer of labor from agriculture in low-production areas also can be facilitated by providing industrialists with realistic information regarding labor supplies in alternative locations. The policy of awarding Government contracts on the basis of a labor surplus index that does not give consideration to labor productivity and underemployment of labor tends to perpetuate depressed areas in agriculture.

Many farm families do not know of the productive potential of their resources within agriculture. New techniques of production have been developed which affect economic opportunities available to farmers. In order to be useful, however, this information must be transmitted to farmers and incorporated into their production plans. More research and assistance in farm planning is needed if agriculture in low-production areas is to be efficiently organized.

An example of the potential effects of systematic research in farm planning is obtained from a cooperative research project conducted by the North Carolina Agricultural Experiment Station and the Tennessee Valley Authority. One of the purposes of this study is to determine the extent to which incomes of farm families residing in the Parker Branch Watershed in Buncombe County can be increased by the adoption of production practices which research indicates would be profitable for the farmers. Optimum farm plans have been developed and put into effect. The expected increase in the net returns to the farmers for their labor, management, land, and capital is shown in table 2. It is estimated that net returns received by commercial farmers will be increased about 300 percent, and net returns for part-time farmers will increase to about 18 times the 1954 level. Net returns for the 38 families farming 1,100 acres of land, are expected to increase approximately \$67,000. In order to accomplish these changes, however, it will be necessary for the farmers to invest approximately \$70,000 additional capital.

Provide capital for adjustments in agriculture

The data referred to above from the Parker Branch pilot watershed research project emphasize the high productivity of additional investment capital on small farms. That the productivity of additional capital is high in southern agriculture also was pointed out in the data presented earlier from the southern Piedmont area of North Carolina. Additional capital must be available to finance changes in resource use if farmers are to realize the productive potential of their resources. Most low-income farm families have very little assets to use as security for loans. Loans of adjustment capital, therefore, must be based on expected productivity of the investment. The security which is required in existing capital markets as a basis for obtaining investment capital is an impediment to adjustments in low-production areas.

Perhaps an even greater impediment to adjustments within agriculture is the fact that farmers on low-production farms do not attempt to obtain investment capital needed for adjustments in resource use. The high degree of uncertainty as to incomes has caused farmers to be reluctant to incur long-term obligations necessary to bring about efficient resource use in low-production areas. Stabilizing price expectations would cause farmers to have more confidence in the future and would encourage investment of additional capital in agriculture. Also, since stabilization of price expectations would remove much of the uncertainty as to returns from additional capital investment, this would encourage private lending agencies to participate to a greater degree in agricultural loans.

¹⁰ Report of the Subcommittee on Low-Income Families, Characteristics of the Low-Income Population and Related Federal Programs, Joint Committee on the Economic Report, 1955, p. 12.

TABLE 2.—Comparison of 1953 and 1954 net farm returns and proposed changes in net farm returns, Parker Branch watershed¹

Period	Number farms	Total net returns	Average net returns
All farms:			
1953.....	38	12,310	324
1954.....	38	15,013	395
Proposed.....	38	82,753	2,175
Full-time farms:			
1953.....	12	11,008	917
1954.....	12	12,628	1,052
Proposed.....	12	39,693	3,308
Part-time farms:			
1953.....	26	² 1,302	50
1954.....	26	² 2,385	92
Proposed.....	26	² 43,060	1,656

¹ Net farm returns represent returns to labor, capital, and management from use of farm resources.

² Excluding income received from off-farm work.

Establish planning prices

If a farmer is to plan production in a manner which efficiently utilizes his resources he needs information concerning the return which the resources will yield in alternative uses. That is, he needs information concerning the prices of products at the time of sale and the quantities of products which might be expected from alternative uses of his resources.

In a free market, prices reflect supply and demand conditions at a particular point in time. Farmers and other producers, however, must make future production plans based on prices which they expect to materialize when their products are ready for sale. In a free market, the pricing system does not provide a producer with information concerning production plans of other producers or with information about future supplies. Hence, farmers often find that under free market conditions, prices that are received when their products are marketed are greatly different from those which existed when production plans were made. Such situations result in inefficient use of resources, in overproduction and low prices of commodities in some periods of time, and in underproduction and high prices in other periods. Society bears the costs of such inefficiency in that more of some goods and less of others are produced than is wanted.

In my judgment, the social costs will be less if farmers are informed when planning their production what price they will receive at the time of marketing. The establishment of a system of guaranteed prices which are announced sufficiently far in advance so that farmers can have knowledge which is relevant in making production decisions should improve efficiency of agricultural production and encourage adjustments in low production areas. These prices must be announced in time to be used by farmers in making plans for production for subsequent time periods, and, if they are to serve as effective guides to resource use, they must be announced for a time period which is sufficiently long to permit the farmer to market his product at the established prices.

It should be emphasized that agricultural policies, where payments are based on sales of products or on resources controlled, will be of relatively little benefit to farm families in low-income areas. Since these farmers have small quantities of products for sale in the market place, raising prices through governmental action will have little effect on their net incomes. The benefits from such programs will be largely paid to those with large quantities of resources and will increase their incomes relative to the incomes of farmers in low-production areas.

A program to divert land from production may be of some value in reducing the stock of agricultural commodities. The extent to which agricultural commodities will be affected will depend upon the acreage which is removed from agricultural production and on restrictions placed on production of particular commodities. An acreage-rental program could be effective in combating the low-income problem if it were used to provide capital to finance a transfer from farm to nonfarm employment.

Provide payments for migration

The demand for farm commodities is not large enough for all of the labor currently on farms to be efficiently used in agriculture, even if unlimited quantities of capital were made available to farmers at current interest rates. Migration

of large quantities of labor from farm to nonfarm sectors must take place before the productivity of labor on low-production farms can be brought to equality with the productivity of labor in nonfarm industries in a rapidly expanding economy. Many farm families who would migrate to industry do not migrate because of lack of information as to employment opportunities and lack of capital with which to finance migration. If principal concern is to increase the productivity of people on low-production farms providing payments for migration would facilitate the transfer to nonfarm employment.

A program of migration payments must be undertaken with considerable judgment, since, to be effective, job opportunities must be available in the nonfarm sectors of the economy. The migration program which was carried out during the 1930's was largely a failure. This resulted to a large extent from the fact that the program was carried out in a period when industrial expansion was essentially at a standstill, and many of the families who were transferred were transferred within agriculture. I have pointed out in another paper that there seems to be little, if any, advantage to a transfer of labor within agriculture from low-income areas in the Southeast to other parts of the Nation.¹¹ In particular, data obtained from the Bureau of the Census indicate that, with the amounts of capital which they control, farmers in low-income areas in the Southeast have higher incomes with the types of agricultural production followed in the Southeast than they would have if they attempted to engage in farm production in the Corn Belt with the same amounts of capital.

Remove restrictions on resource mobility

Current farm programs carry allotment provisions for some commodities. The allotments are decreased if they are underplanted on particular farms for some specified period of time. This provision in these programs does not permit the flexibility in resource use which is desirable in an expanding economy. Changing the allotment programs to permit underplanting without penalty will encourage migration and will provide an incentive for farmers to organize their farms in a manner consistent with current market conditions. Under current price relationships, it may not be profitable to plant allotted crops, but many farmers continue to plant periodically in order to hold on to their allotment rights. For example, in one county in the northern Piedmont area of North Carolina, only 192 out of 1,410 farmers planted their full tobacco allotment in each of the years 1951-53.¹² On 815 farms, underplanting exceeded 25 percent of the allotment in at least 1 of the 3 years. Tobacco programs provide that allotments are adjusted downward on farms which underplant more than 25 percent of their allotments for 3 consecutive years. Since farmers are uncertain as to future market conditions, they do not wish to take the risk of loss of allotment and continue to plant allotments in order to maintain title to them. Such inefficiency can be overcome by removing the provisions of forfeiture of allotment for underplanting.

Equalize educational opportunities and facilities

Research has demonstrated that people in low-income areas who have more education and formal training have a lower dependency ratio, have fewer children, and are the first to climb on the income scale. Also those with higher levels of formal education migrate in larger proportions than those with low levels of education.

Over the long run, the productive capacity of people in low-income areas will be determined by their education and vocational training. It is imperative that education of the people be considered as in the interest of the Nation at large rather than a problem of concern only at the local and State levels. The productivity of labor can be increased through more formal educational and vocational training for people in low-income areas. This training can be provided with a program of Federal aid to education in low-income areas.

Senator SPARKMAN. Thank you very much, Mr. Bishop.
Now, Mr. Black.

¹¹ Bishop, C. E., op. cit.

¹² Bishop, C. E., et al., Underplanting Tobacco Allotments, A. E. Information Series No. 42, Department of Agricultural Economics, North Carolina State College, 1955, p. 26.

STATEMENT OF JOHN D. BLACK, PROFESSOR OF ECONOMICS,
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Mr. BLACK. I am taking the liberty in the full statement that I have prepared to modify slightly the title for this session. This is the title of my paper, not for the session.

First of all, I don't like some of the connotations of the word "depressed" applied to these areas. It carries the idea that something has come along and depressed them. Instead, and for the most part, all that has happened to them is that they have fallen much behind the rest of the farming in the country in the march toward better incomes. They have stayed back where they were and the rest of us have left them behind.

The best description of the area today other than just low income is to call them backward.

I should also make clear that their failure to make progress is by no means all their fault. The going was harder in these areas because it was tougher land to bring into cultivation, and the Nation in its efforts to promote its agriculture gave attention mainly to what would increase agriculture output most. More output is what we wanted, and we put our emphasis on research and other help to that kind of farming, rather than emphasis on what would help farm people most or help those who needed help most.

We have become so rich now, and have increased our output so much, that we surely can spare some effort to help these people whom we have so neglected in the past. What we should be considering mainly here today is how to help these people to overcome their backwardness.

I shall be bold to say that the backwardness of these areas can be overcome only by a thoroughgoing reconstruction of their agriculture and land use.

Not many months ago I was hard at work at analyzing the same problem in India. Over there is a situation in which virtually all of agriculture is backward. I wrote in my report as follows:

Even more challenging is it that the leaders of India have seized upon development as a key to the future of India. In the least dimensions the building blocks for the agricultural part of India are the individual cultivator families and their lands. Next come the villages. An economics of agriculture that is real, unlike some of the abstractions of our textbooks, will help in the shaping and firming up of these building blocks and fitting them into the structure of a more productive and more secure Indian society.

Slightly reworded, this same statement fits the backward rural areas of this country.

What should be the goal in such an endeavor? I shall answer it very concretely and specifically: The level of farm income and family living, such as is found in the good farming areas of the East and the West North and Central States. The fact that most of the land in the low-income areas is producing much less per acre than in these central northern regions, does not prevent obtaining such a goal. All that is needed is to have enough more acres to make up for the lower yields per acre.

I am going to exemplify this point by talking about two counties in central Illinois. One of them, Douglas, is in the rich prairie soils of the Corn Belt of Illinois. The other, Jasper, 50 miles to the south, has tight, clay hardpan soils. It happens that these two counties were settled a good bit before the homesteading days, but that does not change the picture. If they had been homesteaded there would have been 160-acre farms to start with in both counties. In the period that followed, on the rich prairie soils the farms got larger. The land was easy to clear, the farmers made good returns and before long began sending their sons off to college. Many became lawyers and doctors and quit farming. Their land was bought by other farmers, whose farms got bigger.

In the other county the sons split up the 160 acres into 80 acres, and most of them stayed in the area, and it soon became overpopulated. Back in 1940, the farms in Douglas County were worth around \$24,000, the ones in Jasper County were worth about \$4,500.

The net products of the Douglas County farms average more than four times the other. But I got to work with some soil specialists and agronomists some years ago, and the folks at the University of Illinois, and we figured out that if a farmer had 380 acres of this Jasper hardpan soil and it was farmed the way it should be farmed, in producing feed and grass and forage for livestock, and the farming converted into livestock farming suited to the area, it could easily yield as much an income as 180 acres in Douglas County.

Now, you call the Jasper County land poor land. What do you mean by "poor land"? Do you mean a low return per acre? If that is true, then all the Great Plains is poor land, and yet we know that the farmers out in that great range and wheat farming region are making the largest farm incomes made anywhere in the United States. This Jasper County land can be made to produce good incomes, provided it is farmed properly, and we have enough of it in one farm; and this same description fits a very considerable part of the South.

Some few years ago the Soil Survey completed a soil survey for Mecklinburg County, Va., and the soils man who did the job, after some prompting, worked out a program for bringing about 35 percent of the land in that county—now grown up to trees, but that used to be farmed—back into cultivation, into a rotation of corn and alfalfa hay, and livestock, dairy products, etc., that will yield just as much per acre as the land out in the Columbia Basin of Washington, land that is costing a thousand dollars an acre to bring it into cultivation, and all that would be needed in Mecklinburg County, Va., would be \$150. This is how we are neglecting the opportunity to develop and bring back into use under new technology a large acreage of land in parts of the South. This land in Mecklinburg County will yield 75 to 100 bushels per acre of corn and 3½ tons of alfalfa per acre if it is cleared and modern technology applied to it.

Increasing the yield of the lands in these areas can contribute importantly; the new technologies of grassland farming, applying fertilizer to high-capacity soils, have just begun to be utilized. What do I mean by "high-capacity soils"? I will illustrate by Aroostook County, Maine, where the land had little natural fertility when cleared. But the texture of the soils is such that one can apply 3,000 pounds of fertilizer per acre and get five to six hundred bushels of potatoes per acre. These soils have a high capacity, and a lot of these soils we have

been talking about in the low-income areas are similarly high-capacity soils.

With such a goal fully achieved, conceivably in 40 or 50 years, the homes and farmsteads of very many of the now low-income areas can look as prosperous as those in the better farming areas of our land, but, of course, there will be many fewer homes and farmsteads than now. With no program and procedure for attaining such goals, what we shall get instead is brush and trees and no farmsteads at all, in much of the land in these areas, which by that time we will much need to feed our population growing in numbers and able to buy better clothes and more food, and so forth.

I agree that proposals to solve this problem by bringing in industries and migrating a large number of the people out to industries elsewhere, are important but we should not rely upon them so extensively that in effect we go off and abandon the land and depopulate these areas.

I am, moreover, the first person to say that a lot of this land is so poor that it should be abandoned and grow up to trees. But a tremendous quantity of it is better than that and should be rehabilitated by technologies that we now know. One of the things that happens if industries come into these areas is that many farmers get jobs off their farms; presently other members of the family get jobs off the farm; and presently their land mostly isn't farmed. It runs down, is abandoned, and grows up to trees. I am saying that this land should be purchased and added to the farms that are left, and credit should be available for this.

We do have provision in the farm and home administration law to enable a farmer to buy additional land, but the credit funds available scarcely touch the problem.

Nearly 10 million acres of land went out of use in New England under similar conditions from 1830 to 1900, and a good part of this, half of it, should have been incorporated in the better farms that were left; and this is the process which is underway in the South now.

The next question is what are the procedures and steps to be used in the reconstruction process for such areas? Analysis to find what changes are needed comes first. The method of analysis needed is projecting the effect on farm incomes of the different likely changes in farm setup and operation, and to do this by setting up budgets of the receipts of the farms as they now are with their limited acreages, and then budgets if they improve some of their land, and/or add some more acres, and see what the budgets look like, until one can see what the structure of an area would be like with the kind of farms that are possible there.

I might say that we have used this method in New England. We have just published a book—I left one of them on Senator Flanders' table because it deals with dairy farming in New England. In 22 areas of New England, we chose 241 farms and analyzed them from this point of view. We sat down with the farmers and worked out plans for their farms such as Mr. Varner told you about in Michigan this morning. When we went back to these farms at the end of 3 years, they had already increased their incomes by over \$1,000 per farm. We did not plan drastic changes on these farms. We didn't enlarge any of these farms. This was all done using the land resources of the farms as they are now. The improvements were made to the land now

in these farms. This permitted expanding livestock enterprises and saving on feed bills.

Some of this analysis is also needed by areas, as is now being talked about for the pilot counties. Take a county, study it, see what the land use in this county now looks like; then get its use reorganized into these profitable operating units.

I should not conclude without pointing out that we in this country are particularly fortunate when it comes to the implementation of such a program, for the reason that we already have all the public agencies required for it, and programs underway to which this undertaking can be fitted. The whole extension service, the soil-conservation service, the Farmers' Home Administration, the new farm and home development program, and so forth.

We have a seminar on land use and conservation in Harvard, and we published only a few months ago a little booklet called *Farm and Other Operating Land Use Planning*, in which we outline the way in which these different agencies can be fitted together into a unified, effective program. It very much needs to be done. We ought to have an end to this scrapping between soil conservation and the rest of them, and get them together in a unified program, and to use these pilot counties as a place to work this out is highly to be commended.

Finally, it should be stressed that credit has a large part to play in reconstruction of these backward farm areas. A majority of these people do not have the assets to furnish the security needed for all the capital they need that Mr. Bishop has told about in order to reconstruct their farms. They need credit based on the promise of additional income that can be expected from these new plans.

Also, much of the returns upon much of the investment needed to build up incomes cannot be expected until after 2 or 3 years, and a full return often until 5 or 10 years. We just have to say that our Farm Credit Administration isn't set up to furnish credit of that sort.

Two questions arise at once under credit: First, can present credit institutions advance credit in this form to farm families in backward areas? The answer is, much more than they are now doing, but to advance it in all cases needed calls for a spreading of risk over a much wider territory than one bank's domain.

Also, it is questionable if banks can afford to furnish all of the supervision that is needed—I put in quotation marks, too, Senator Sparkman, the word "supervision." This will be true in many cases even with a farm plan already worked out.

Second, are there not times when credit needs to be restricted as a check to overexpansion and inflation, and should not loans be restricted in these backward areas at such times? I agree fully as to the desirability of restricting credit at times to commercial agriculture. In these days we should seriously consider whether we want to loan money to commercial agriculture and let it expand in a period when we are overexpanded. But so far as these backward areas are concerned the answer is very simple: They will contribute so little in the next 3 or 4 years that anything we may do will contribute so little in the way of expansion of production that we can just forget about it and proceed just as fast as we can possibly hope to go.

Is it reasonable, one may ask, for a private bank to deny credit to his best-paying customers at such times and yet grant it to his poor

clients? The answer is that if private banks will not do this then public credit will have to play a larger role.

Thank you.

Senator SPARKMAN. Thank you, Mr. Black.

(The complete statement of Mr. Black is as follows:)

THE HABILITATION OF LOW-INCOME RURAL AREAS

John D. Black, professor of economics, Harvard University

You will note that this paper's title has two differences from the title announced for this session, "habilitation" for "rehabilitation," and "low income" for "depressed". The reasons for these changes is that with few exceptions these areas have been low-income areas from their first settlement. For the most part, they have not become such because something has come along and depressed them. They can't be rehabilitated because they never were habilitated, that is, relative to the rest of the rural economy. Actually they are better off than they were at time of settlement, or even 50 years ago. The simple bold fact about them is that the rest of rural United States has gone off and left them.

The reader also needs to be protected from confusion over the term "submarginal" applied to the land in these areas. Very little land in the United States is submarginal for some use. It is the use that may be submarginal and not the land. The use is submarginal only if the land is put to some other use than that for which its use is economical. For example, as one goes west in the Great Plains the land becomes submarginal for corn at present prices for it; farther west it becomes submarginal for wheat; etc. Similarly in parts of the South, some land is submarginal for cotton or tobacco or corn, but may be rewardingly used in forage crops or pasture, or finally in woodland. The relative demands and prices for products of the land go far in determining for what use a given piece of land is submarginal or supramarginal.

Pertinent in this connection is intensity of land use. The intensive uses require large inputs of labor, power, fertilizer, livestock, etc.; the extensive uses only small inputs relatively. The more extensive the use the less the output per acre and the larger the acreage needed to make a family-size farm.

The most outstanding characteristic of nearly all low-income farming is that it is using land too intensively, particularly in terms of labor. Its overintensity of use takes the form of putting it to uses that are submarginal for the type of land involved by the standards of rewards to farming in the more prosperous areas.

What the low-income families need therefore is in effect more land per farm. This may not, however, mean more acres of land. Increasing the productivity of the land already in the farm, commonly by methods of improvement that are already well known, may give the family all the land resources it needs. More often than otherwise, however, both more land and more land improvement are needed.

Another word which is dangerous to use in this connection is "poor" as applied to land. If poor land is land of low productivity per acre, then all the ranching land of the West is poor. Yet the net farm incomes of these ranchers are higher than the Corn Belt farm incomes. Give a farmer enough acres of "poor" land thus defined and he can outearn the farmers in the richest land in the country. The writer once helped to analyze in parallel the land in two counties almost adjoining in central Illinois, Douglas and Jasper, the first of rich prairie Corn Belt soils and the second of tight claypan soils. The analysis showed that farms of 360 acres of the latter devoted to the uses to which it is best adapted, largely forage and livestock farming, will yield as large a net income as 180 acres of the rich prairie soils.

How did these low-income areas come into existence? In the parts of the United States more west and north than the central Illinois area, the land was taken up in 160-acre homesteads mostly. These homesteads tended to be split in the early decades after settlement. Homesteads were frequently divided to provide for the sons of those days who wanted to be farmers in their home counties. This process was commonly carried further in the less productive areas than elsewhere, for more farmers' sons became farmers in low-income than in the high-income areas in this country—they received less education and fewer of them became lawyers, doctors, preachers, and the like. Not only was

there less migration from the lower-income areas, but the families tended to be larger. The Jasper and Douglas County land was sold before the Homestead Act was passed. Jasper County was settled in small farms by relatively poor people from Kentucky, southern Indiana, and Ohio, including Scotch-Irish, English, and German stocks. The typical tract bought from the Land Office was 80 acres. Farmers with capital definitely did not settle in this area. Douglas County, on the other hand, was in the Illinois central land grant. The county was swampy and was originally sold in larger tracts than in Jasper County. This swampy character, plus the large capital requirements for drainage, played a large part in determining the present size and tenure pattern of the holdings. Although Jasper and Douglas Counties did not start with 160-acre homesteads, the later stages in their histories have followed the usual pattern.

At any rate, in whatever section of this country one looks around, one tends to find the farms smaller on the "poor" land than on the "good" lands. The differences become more pronounced when part of the land was formerly timbered and part not. Clearing 160 acres of timbered land was a big undertaking for one family, and the timbered land usually had less natural fertility than the open-prairie land. But there are important exceptions to this general tendency in the South. For example, it is pointed out that in the Southeast the better farms and farmers are often found on the second-class soils rather than on the first-class. The reason is that the most responsive and productive land was taken up first in relatively large holdings, later settlers who wanted to establish homes and had only a small amount of capital were forced to do so on less desirable soils. They have prospered, in many cases, as owner-operators who have looked to the future of their own land; whereas some of the land first taken up has been farmed under a year-to-year tenant system with less efficiency and with practices that have not maintained the soil productivity.

In the timbered lands of the Northeast the historical pattern is still different. The bare fact is that most of the rural territory of this region was originally settled too thickly for modern levels of farm living. Many of the farmers' sons in southern New England began moving north and west before 1800. Others found employment in the growing infant industries of the 1st half of the 19th century. But never enough of them moved, so that the eastern Atlantic coast rural land area back to the mountains became overpopulated early and has remained somewhat so pretty much to this day. At least, there are fringes of territory in the foothills of the mountains and other somewhat isolated spots where a sizable fraction of the farmers will still have to be classified as low income. In Dr. Ducoff's mapping of low-income areas most of the western half of Pennsylvania is classified as moderate low-income territory, and still more of the highlands southward along the Appalachian Trail is put in this class, or even classed as "severe low income." The break westward through the mountains was never vigorous enough not to leave too many behind.

Of course, the continuing high birthrates in this low-income territory has been a large factor in the continuing pressure of people on resources in this and other low-income territory generally. The strongest counterinfluence has been industrialization and the growth of cities. These have their effect in two ways, in providing off-farm employment near at hand and, second, drawing rural population off to large industrial centers in the North.

The patent reason why farm families in these areas have so little income is that they have so little to work with—so little land, so little equipment and livestock, etc. As tenants or croppers, they may have more to work with than as owners, but then they have to share the proceeds of their farming with their landlords.

But to say that such farm families have low incomes because they have little to work with does not get us very far. Why do they have so little? And would they be more productive if they had more?

A sizable fraction of the low-income farmers now on the land would benefit very little from more and better land and equipment, or they would benefit so little that it would be a wasteful use of resources to supply them with more. They are already advanced in years or too infirm to make enough of the necessary changes. The reformation of many should have been begun back in their childhood or when they were first starting out as heads of households. And almost any biologist will insist that many should have been reformed before they were born.

Another large fraction could improve their conditions considerably simply by making better use of present resources. They have land enough if they will use it effectively. They have plowland that can be made much more productive by proper liming and fertilizing, plus following rotation systems with cover crops

or legumes in them, and plus stripcropping or terracing to control erosion in many cases. They have pastures that would carry more cows if seeded to the right grasses and clovers and contour ridged to keep the water from running off the slopes. Some pastures need also to be mowed to keep weeds down or to be cleared of brush and shrubs. Many of these farmers have woodland that, if properly handled, would provide all the fuel and fence posts that the farm needs and frequently, in addition, some saw logs for lumber or for sale. Finally, if the productivity of their land were increased in these ways most of them would need more livestock and equipment and even in some cases more farm buildings.

Why do not these families take advantage of their own opportunities? In the first place, most of them do not have the know-how for it. If they do, they do not have the necessary access to credit. Some are tenants or croppers needing leasing arrangements under which they can afford to make the needed changes. Some of them even are families needing medical care or better diets. Some would be helped by credit in buying a cow or two and a sow to provide food for their families.

A third large group consists of farmers who do not have enough land of the necessary quality to provide the needed income even if it were fully developed. In some situations, there is more land within reach that can be purchased and added to the present farm. In others, the land can be rented, which is much better than not having it at all. The land nearby that can be purchased may not be of the type that the farmer would prefer or that is needed most to supplement his present farm. For example, it may be rough woodland or lowland meadow. Still, this land should be used by someone, and the best use may easily be to combine it with existing farms.

In communities where there is not enough land to enlarge farms as needed, the only way out for some of the farmers now there is to move out altogether. But they should sell their farms to their neighbors who are short of land. Only in this way will farms be enlarged as needed in large sections of the Southern States.

If it is tenant or cropper farms that are too small, of course the only solution is for many of the cropper families to shift to other occupations in the same or other areas or regions.

What of the fraction of low-income farmers that will benefit little from a larger command of agricultural resources? The important point is that their children should not be deprived of such resources even though they themselves cannot profit by them. Society has a strong interest in seeing to it that the new generations do not have to start life with stunted, malformed, and diseased bodies, ignorant and untrained, with no opportunity to get a start in the world. Even with the low-income farmers already discussed who can use more resources effectively, the benefits that the children will receive in better diets, education, medical care, and, more than all else, outlook on life, will be far more important than any other effects. Larger incomes for these farmers will not alone insure that their children have all these advantages. Government, by one means or other, must take a hand in the provision of education, health, and probably good diets to some extent. While it is doing so, it should make additional provision of these advantages for the children of families whose resources are irremediably low. There is absolutely no escape from this if large numbers in the new generations in low-income areas are not to be irretrievably lost to the Nation so far as any real contribution to society is concerned.

Provision of the foregoing will not, to be sure, guarantee that all the children of the coming generations will develop into useful citizens. Even with the best prenatal care, some are born with poor bodies and minds. Some inherit other traits that disqualify them for success in the roles that human beings must play in modern life. In due time, the children of such families, some still with low incomes, others with incomes and living conditions much improved, will leave the schools and begin to take their places in the world. Not many will long find enough to do on the home farms, for these will still be relatively small in most cases. Probably a majority of them should seek occupations other than farming, many of them in other areas or even regions.

If the farms of the United States are to continue to supply the human materials for the growth of industry and trade, the schools and families in rural districts must plan with this in view. Many of the children eventually migrating to industry and trade will become hired workers for a few years on the larger farms and in the larger homes in the neighborhood. Some of the boys will plan to remain farm laborers until they can start as tenants or croppers. At this stage particularly, there will be a rigorous sifting out. Those who take the art

of farming seriously and learn its skills and responsibilities and accumulate savings will in 5 or 10 years be in condition to become tenants. The others will drift from place to place and in many cases wander off to the cities. The decision to become a tenant is an important one. The first farm need not be very large, but it should be large enough so that the young man can make more progress than by continuing as a farmhand. Much more important is it in buying a farm not to buy one with inadequate resources—leave these for the pensioners and part-time farmers.

How large a fraction of the low-income families of an area commonly fall in the fractions that can advantageously increase their resources by developing their present farms or buying additional land or larger farms? This is not a very important question. There will be enough families in nearly all communities to use to the full all the guidance and help that will be provided. Few communities will ever get anywhere near the end of their waiting lists—until such time as the work done with the new generations of children has reduced greatly the numbers needing such help.

MEASURES TO BE TAKEN

We are very fortunate in the United States in that we have already had enough experience in dealing with the problem of the low-income farmers, albeit on a small scale, and have the institutions needed, so that about all we need to do is to have the will to go ahead.

The truth of this statement is most clearly obvious in the case of the families that simply do not have enough land even though it were developed to the optimum point. The Farmers' Home Administration has authorization to make loans for this purpose, but very limited funds. Also there may need to be some liberalization of the language of the act.

This is much more important than commonly understood. In the New England States alone, 6 or 8 million acres of land went out of agricultural use between 1850 and 1920 that mostly should have been added to nearby farms. New England had too many farms in 1850. The smaller ones did not make a decent living for the families and the sons took jobs in the cities and nobody took over when the old folks passed on. Some of these farms were added to other farms but by no means enough of them. This same situation has now developed in the South. We are going to need this land in agriculture in the coming decades because of our rapidly growing population. Our new-land frontier is virtually gone and it will be more costly to restore this land later to agriculture.

If there was someone nearby to sell their farms to, also more of the farmers with low incomes would sell out and find other occupations.

The process of abandonment has been changed somewhat in recent decades. More of the low-income farmers, in the South especially, have found jobs in factories or other city jobs and are still living on their land but neglecting it and letting it grow up to trees. The automobile has made this difference. Or it may be so-called part-time farmers who are doing the same thing.

Usually it is not enough simply to get more land for families with too little land. Commonly the more land that can be made available has been allowed to run down and needs rehabilitating. The land the families already have may also need treatment to increase its productivity.

This points to the second category of low-income farmers—those who have enough land, but have not improved it up to the level now most advantageous, or who do not have the equipment or livestock or perhaps buildings to farm it as it should be. Why so? In many cases because they can't get the needed credit, or at least get it under suitable terms. Credit is still commonly based on the property security that can be furnished rather than on the increased productivity that is being financed. The FHA makes loans for such purposes and under suitable terms but again has only limited funds and personnel. The PCA's mostly make only annual loans with prospect of renewal if everything goes reasonably well.

But making more funds available for purchasing and improving additional land or increasing the productivity of present farms will not be enough. There is needed in addition an extension program that shows to the farm families the possibilities of getting such increased incomes in the two ways indicated, and then goes to the extent of sitting down with the families on low-income farms and working out plans for their development and enlargement if need be, and also plans for any borrowings required.

For the first part of this, the showing of the possibilities, I would recommend the singling out of good examples of such farms—examples that are much like

those that commonly occur in the area—and making a careful analysis of these, testing out by budget analysis the different possible alternative crop and crop-and-livestock combinations, land improvement programs, pasture and feeding programs, fertilizer programs, machinery programs, etc., to see which promises best, and the investment for each, to see which offers the best combination of increase in income and feasibility. I would do two things with the results of such analysis: one, talk them over in detail with small groups of low-income farmers, and, second, get some of the farms to operating on the basis of the plans chosen, these farms to serve more or less as demonstration farms.

The extension part of this program now has the new farm and home development program as a structure into which it can be built. There should be, as soon as possible, at least one farm-management and one home-management specialist in each low-income county who specializes in working with low-income farm families, and their efforts should be centered around helping them with the planning of their farms and with their household and family operations.

The extension services should not, however, carry the full burden of such an undertaking. The soil-conservation districts should provide maps for the farms and the land to be purchased, these maps showing field boundaries, vegetative cover, slopes, stoniness, erosion, soil types, and land-use capability classifications. They should collaborate with the farm-management specialists in choice of rotations and land use for the different fields and develop the erosion-control and other conservation features of such land-use plans and at a later stage help with the laying out of terrace and contour lines, grassed waterways, etc. For farms that will clearly need to be financed by the FHA, the nearest local FHA representative can also collaborate so far as he has time for it.

How many farm-and-home plans can a farm-and-home management team of two expect to help work out in a county with the collaboration just described? Probably not more than 25 the first year with so much to learn about how to do it and so much planning data to assemble. But in the second year the number should be doubled, and when the point has been reached where group planning can handle a large part of it, at least a hundred a year, and by the time 500 farms in a county have been planned, the pattern of improved farming will have been so well established that the rest will not require anywhere nearly so much individual attention. And when that time comes much more of the effort of the extension team can be devoted to year-by-year adjustments called for by the outlook situation, new technology, etc.

The farm plans developed for many of these farm operating units should include provision for development of the woodlands. Especially is this true in the South and East. Additional land acquired is very likely to include some woodland. Improvement cuttings are likely to yield some additional income at the time and the work can be done in otherwise idle weeks. In as short a space as 5 to 10 years in some woodlands the improvement cuttings will begin to add something to income. In the South even tree plantings begin to add some returns in 15 years. In the meantime the farms are increasing in value because of the woodland improvements.

Woodland planning will need at least the guidance of extension specialists in forestry. This can be provided by using some of the new extension funds to assign a specialist to a group of counties, or by increasing the number of farm foresters, or by some combination of the two.

I have suggested elsewhere—for example, in the National Planning Association report on Federal-State-local relations in agriculture—that a county committee, made up of partly of local representatives of the agencies named and partly of farmers and homemakers, be set up to give general guidance to such a planning program and insure good cooperation of the different agencies.

Nothing has been said in the foregoing about tenants and croppers as distinguished from owner-operators. There is, of course, the Jones-Bankhead tenant-purchase program to help those ready to become owner-operators. It was wise to proceed slowly with this program at the start but it can now be stepped up safely and considerably except in periods when land prices are rising too fast.

On the whole, however, there is more need in the United States for leasing systems that will give a tenant a chance to make a good income by improving his farming than there is for helping more tenants to become owners. This is possible, however, only if the farm enterprise as a whole becomes more productive, and this is not possible without the participation of the landlord. Some careful analysis of this problem, followed by some pilot operations in carefully selected areas, seems to be urgently called for. These operations should be of the nature of planning with the landlord and tenant jointly, the plans to call for borrowing by the tenant, and by the landlord if need be, to finance the greater

productivity. The leasing arrangements to go with these must protect the tenant's contribution to the improvements.

Something needs to be said about a few other groups. One of these is the part-time farmers. By no means all of them are in the low-income bracket. In New England in the 1940's the combined incomes from farm and nonfarm sources of this group averaged as high as those of the full-time farmers. If their incomes are low in some parts of the United States, it is partly due to the low earnings of these groups at their nonfarm jobs. In general, this group is a difficult one to help because of the uncertainty of their status. One cannot be sure how soon they may reduce their farming operations and become nearly full-time urban workers. Nevertheless, such families have as much right to public assistance as any, and their cases need to be examined in turn. Credit for such families will need to be based more on security and less on the increased productivity being financed.

Probably the largest group of low-income farm families in most localities are the families of older people and others who are either not in condition to undertake improvements or expansion of their farming operations, or who have not enough interest in them to warrant public aid of the kind I have outlined. Still another group are those who have not the ability to carry out farm plans or the stability (or integrity) to warrant taking a chance on them. Many of these will be found among those who apply for assistance. This makes necessary careful screening of applicants.

There remains the question of who is to furnish the credit needed. Once the practice of making operating and borrowing plans for individual farms has become somewhat established, it can be expected that the regular commercial banks will find it good business to make part of the loans called for in these plans, especially the short-term and intermediate-term loans. By all means should the necessary changes be made so that the insured loan program can get going again. Also, it can be hoped that the FCA's will see fit to have its PCA's handle more intermediate-term loans, sometimes in combination with annual loans, and to make them as full-fledged intermediate-term loans. But there will still be need for a larger volume of direct FHA loans than now. In the next 5 years or so, while the planning program is getting established, the volume will need to be very much larger if significant headway is going to be made in raising the incomes of the low-income farm families.

This raises the question as to how hard such a program should be pushed. The primary answer is, never in desperation at any stage. The first 3 years should be devoted to learning how to do it. Nevertheless, the pressure should be enough so that at the end of 10 years, the problem will have been mastered and what will be required from then on will be mainly a continuation of what has been developed.

SPECIAL ISSUES OR PROBLEMS

In this section will be discussed briefly some of the points in the set of nine questions directed specifically to the panel members, and some other points needing attention.

Individual versus area approach

The foregoing makes no clear distinction between an individual and an area approach to the problem of low-income agriculture. This is because the two cannot be really separated. The final solution is a solution for each family and individual. This calls for planning on an individual farm and family basis. But the task of doing this needs to be organized on some kind of an area-unit basis. One of the first steps always is an analysis of the situation. This analysis is best done in two stages, the first covering the whole of a tract that is fairly homogeneous—like the cutover region of the Lake States, the second, subdivisions of this large areas that are still more homogeneous. The next step is setting up an administrative organization for implementing the conclusions of the analysis as to the program of action that needs to be undertaken. This administrative organization needs to provide for needed overhead functioning and for that which is to be localized in subareas. Political-unit organization must be recognized in this. Commonly a group of counties will form such a subarea operating unit—for example, the low-income cutover counties of northern Wisconsin. Working members of the staffs of the different agencies in this group of counties will need to get together and agree on an integrated program of action. Ordinarily, however, some more detailed analysis is needed of the subarea before this program can be laid out.

The working organizations, however, should not be limited to staff members of agencies. The farm families and other interested members of committees and

political units like townships or counties should be organized and have committees to review different aspects of the problems in their area units, call in staff members for consultation, and meet with representatives of other area units like communities, townships, and counties, and make recommendations to the staffs of public agencies concerning theirs.

There should be, of course, a close connection with the county extension program planning that is now being carried out in very many of the counties. If this work is well done, the people in the counties will already be taking a major part in the planning operations; also the different agencies operating in the county will have shared in it so that it is a unified plan for all of them.

There is, however, a more fundamental question raised by the foregoing, that is, whether the most effective procedure is at the start to single out particular area units and concentrate efforts on these, and proceed to additional ones when the first ones are well underway, in the meantime these first ones serving as a testing ground, example, and inspiration for the rest; or to single out certain changes than can be made in most areas and on most low-income farms and concentrate effort on these. The answer is, a combination of these two, but with more emphasis on the first than in the past. The reason for this is that to attain the goals desired, a careful analysis of such area units as a whole is needed to see how reconstructed area-units will shape up and how the different parts and phases of them fit together before we are sure of our way. Then we need actually to put the reconstruction process in operation and test out the different adjustments projected and the procedures for getting them into action. It is not wise to wait very long, however, before making a start with additional area units, and a point will presently be reached where enough has been learned so that help can be given a considerable group of them each year. Also before long it will have been demonstrated that a growing set of changes can be adopted widely.

Analytical blocks and test plots

The first set of area units singled out for analysis and reconstruction should be considered really as analytical blocks in their first stage and test plots in their second. The analysis should be carried to the point in some of them of determining the farm-by-farm pattern of land use that will attain the goals sought. When this analysis is completed, all of the land in the area unit will have been provided a place in some kind of operating unit, private, public, or institutional. The farms provided will seldom all be of one pattern because, on the one hand, they will have to be different combinations of types of land in most areas, and on the other, the families in any community or area will be of different ages and sizes. Commonly there will need to be provision for part-time and residential farming. In the short run some of the older families will not want to expand their operations.

The method of analysis needed for the farm and woodland operating units is that outlined in *Farm and Other Operating Unit Planning*, by John D. Black; also used by Richard Wheeler and John D. Black in *Planning for Successful Dairying in New England*. Its essential feature is projecting the effect on farm incomes of the different reasonably possible changes in farm organization and operation by setting up operating statements or budgets of expected receipts and expenses for each of these changes or sets of them. This method, applied to 241 dairy farms in 22 counties of New England, resulted in the farm families selecting plans for their farms which at the end of only 3 years had increased their net farm incomes on the average by nearly 40 percent. In the low-income areas now being considered the major alternatives whose effects are thus to be weighed are improvements to land now on the farms that will make it more productive, adding and improving land within reach of the farms being analyzed, expanding livestock enterprises and adding new ones, and stepping up yields by using more fertilizer, and lime if it is needed, using better adapted types of grasses and legumes and seeds, better control of pests and diseases, etc.; also, of course, by making labor more productive by more mechanization and the like.

Reconstruction goals

The foregoing raises the whole question of the goals that should be sought for a community or other area unit. The answer is a level of farm income and family living such as is found in the good farming areas of the East and West North Central States. The fact that most of the land in the low-income areas is producing much less per acre than in these central northern regions does not prevent attaining such a goal. All that is needed is to have enough more acres to make

up for the lower yields per acre, as exemplified in the case cited above of Jasper and Douglas Counties in Illinois. Also, increasing the yields of the land in these areas can contribute importantly; the new technologies of grassland farming and of applying fertilizer to high-capacity soils have just begun to be utilized. The more acres will in very many situations be of pasture land. Also, they may include woodland that will repay good management in as short space as 10 to 20 years.

With such a goal finally achieved, conceivably in 40 or 50 years, the homes and farmsteads of most of the now low-income areas can look as prosperous as those in the better farming areas of our land. But, of course, there will be many fewer homes and farmsteads than now.

With no program and procedure for attaining such goals, what we will get instead is brush and trees and no farmsteads at all in much of the land in these areas, which by this time will be much needed to feed a population growing in numbers and able to feed and clothe itself better.

Surplus aspects

Granted reasonably full employment from now on, it is a reasonable projection that by 1975 the 5,380,000 farms of 1950, and around 4,800,000 of 1955, will have been reduced to around 3,800,000 to 4,000,000, these numbers including the part-time and residential farms, in 1950 making up 31 percent of the total number. The 7,507,000 workers engaged in agriculture in 1950, and 6,583,000 in 1955, will have been reduced to 5 million, around 6 percent of the Nation's labor force, compared with 10 percent now. If we can assume that production and demand are in good balance by or at that time, total agricultural output will be about 45 to 48 percent larger than it is now, with 38 percent more population expected by then, and a 10-percent larger use of farm products per capita, less a 5-percent allowance for present surplus stocks.

The program outlined in the foregoing for raising the incomes of the farm families in the backward parts of our country will increase output per farm and per worker very greatly in these parts. It will also increase the total output of these areas, but nowhere nearly as much, since there will be far fewer farms and fewer workers on them. Leaving out residential and part-time farms for the moment, once this program is pretty well along it is a good guess that a hundred farms now classified as low-income farms will have been reduced in numbers to no more than 30 or 40. The average per-acre yield of crops, or carrying power of pasture, will be larger, doubled probably, but relatively fewer of the crop acres will be in intensive crops and relatively more in field and forage crops and especially pasture.

How will this program fit into the just painted moving picture of total change-over the next 20 years? Let us first ask ourselves how large a part of present total output is that of the low-income farms. In terms of farm products sold, the commercial farms with sales of around \$2,500 or less per year in 1950, plus the part-time and residential farms, sold less than 10 percent of the farm products sold in 1950. If these farms were to double their output for sale by 1975, there would still be a market for a 35- to 40-percent increase in the farms with sales of \$2,500 per year. We cannot expect aggregate progress in the low-income areas at this fast a rate—there are too many families among them that will make few if any changes. If only half of the present low-income farm families were to go along with the program, and these were only to double their outputs per acre, this would aggregate only a 5-percent increase. Surely this country will not encumber its surplus-disposal program seriously by promoting at as rapid a rate as reasonably possible the reconstruction of agriculture in all its low-income areas from 1956 forward.

Furthermore, only small progress will be made in the next 3 to 5 years in actually increasing output along the lines outlined, and within that period much headway should be made in reducing surplus stocks and getting production generally into balance. The fact that the reconstruction needed is toward grassland and livestock farming strengthens further such a conclusion.

Depopulation

In the past almost any proposal for improving the welfare of backward areas that has meant fewer people in the area has met with violent local opposition. They have described resettlement projects generally as schemes for depopulating already established areas. Congressmen Tarver, of Georgia, and Doughton, of North Carolina, attacked the farm-security and Jones-Bankhead programs on these grounds back in 1942. The Tarver amendment to the Jones-Bankhead Act put a limit on the size of the "economic unit" set up as a standard in that act.

The general argument of this group is that we should refrain from helping with the enlargement of farms until we have tried out giving the people in the low-income areas a chance to develop improved methods of farming.

Today there is a strong tendency among some groups to go to the other extreme and put all the emphasis on outmigration from these areas. It is already occurring in many locations at a rate that is causing much land to be abandoned, and it would be better if much of this land were added to surrounding farms before it grows up to brush and trees.

What is here proposed is a balance between outmigration and accompanying abandonment that still leaves as many good farming units in any area as can provide a good return to the families with the land consolidated into efficient units and the farming well mechanized.

I have said nothing about the bringing of new industries to low-income areas as a means of raising levels of living there. This is the best of all helps in such situations, but it has one danger, that it will cause too many farms to become part-time farms and then to give up farming almost altogether within a few years. This needs to be guarded against by helping those who remain as farmers to take over the land being abandoned.

Credit

We have now come to the point where we can state more explicitly the role of credit in the problem of backward farming areas. Combined with farm and area-unit planning, providing credit to those ready for it is the most essential of all measures. A majority of these people do not now have assets to furnish the security needed for all the capital they need to have advanced in order to reconstruct their farm organizations as needed. They need credit based on the promise of additional income that can be expected except in the case of mishaps. Also, much of the return upon much of the investments needed to build up incomes cannot be expected until after 2 or 3 years, and the full return often until 5 to 10 years.

Even in the case of the 241 New England dairy farms, only a minor fraction of which were low-income farms, credit was needed as follows in order to carry out the plans chosen by the farmers :

Additional investment per farm :

Land improvements.....	\$480
Buildings.....	1, 510
Equipment.....	970
Livestock.....	1, 360
Total.....	4, 320

Credit needed :

None.....	41
Only annual credit.....	51
Intermediate credit.....	80
Long-term credit (real-estate mortgage).....	69

For each of the farms needing credit, a financing program such as the following was worked out :

Date	Amount borrowed	Payments on		Balance due
		Interest (4½ percent)	Principal	
Apr. 1, 1948.....	\$1, 000			\$1, 000
Apr. 1, 1949.....	1, 000	\$45		2, 000
Apr. 1, 1950.....	2, 000	90		4, 000
Apr. 1, 1951.....	2, 000	180		6, 000
Apr. 1, 1952.....		270		6, 000
Apr. 1, 1953.....		270	\$500	5, 500
Apr. 1, 1954.....		247	700	4, 800
Apr. 1, 1955.....			800	4, 000
Apr. 1, 1956.....		180	1, 000	3, 000
Apr. 1, 1957.....		135	1, 000	2, 000
Apr. 1, 1958.....		90	1, 000	1, 000
Apr. 1, 1959.....		45	1, 000	-----

Two questions at once arise :

First: Can private credit institutions advance credit in this form to farm families in backward areas? The answer is, much more than they do now, but that to advance it in all cases needed calls for a spreading of risk over a much wider territory than one bank's domain. Also it is questionable if banks can afford to furnish all of the "supervision" that is needed. This will be true in many cases even with a farm plan already worked out.

Second: Are there not times when credit needs to be restricted as a check to overexpansion and inflation, and should not loans be restricted in these backward areas at such times? The general answer is that the loans called for by such a program as here outlined will be so small a part of the total financing of the private enterprise of the Nation that any impact of them on the inflationary process can be ignored.

Is it reasonable, one may ask, for a private bank to deny credit to his best-paying customers at such times and yet grant it to his poor clients? The answer is that if private banks will not do this, public credit will have to play a larger role.

Senator SPARKMAN. Now, Mr. Larson.

STATEMENT OF OLAF F. LARSON, DEPARTMENT OF RURAL SOCIOLOGY, NEW YORK STATE COLLEGE OF AGRICULTURE, CORNELL UNIVERSITY

Mr. LARSON. Mr. Chairman, I would like to preface my summary, which is prepared, by saying that I have assumed that we were going to be concerned primarily with the people in the low-income farm families who have real capacity, real possibilities for rehabilitation in those areas, and, therefore, have not made any comments concerning those which have such limitations by reason of age or physical handicaps that they are not real possibilities for a rehabilitation program, but are, rather, a part of the welfare program.

My prepared statement is directed at 3 aspects of the 9 questions which the subcommittee on low-income families has stated for consideration by members of this afternoon's panel. These three are: (1) Trends in depressed rural areas, (2) causes of depressed rural areas, and (3) factors aiding and retarding the rehabilitation of such areas.

The long-range national trend, as shown by Bureau of Census and Department of Agriculture data, has clearly been in the direction of a decrease in the number of low-income farm families, although the proportion of farm families in the low-income group has not changed substantially since 1930. Low-income farms are not only concentrated in the low income, low level of living areas delineated in the report on Development of Agriculture's Human Resources, prepared for the Secretary of Agriculture, but it appears that these areas had a larger proportion of such farms in 1950 than in 1930. Historical evidence leads to the conclusion that low-income farm families have been concentrated in approximately the same areas on a remarkably stable and persistent basis for the past half-century.

I should like to devote the remainder of this summary statement to the second and third parts of my prepared statement.

DEPRESSED RURAL AREAS—CAUSES

Population increase: We know that agricultural land resources per farm are less in the problem areas than elsewhere in the United States. A basic question which then arises has to do with population increase.

Is this increase such as to disproportionately aggravate the pressures in these areas on agricultural land resources? As of 1950 these areas had a fertility ratio—ratio of children under 5, to 1,000 women aged 15 to 49 years—more than 7 percent in excess of the ratio for the rest of the farm areas of the Nation. For the serious and substantial low-income areas, the ratio was about 13 percent higher than for the medium and high areas. I am here using the classification developed for the Secretary. This tendency may be expressed in another way by noting that during the 1950-60 period the low-income areas will have 200 young farm men reach the age of 20 for every 100 who reach the age of 65 or die between the ages of 20 and 65; in contrast, the comparable figure for the medium- and high-income areas is 143. For the most serious low-income area the ratio is 221. Thus, because of population increase, more jobs have to be found for the new generation of workers in the low-income than in the high-income areas.

Since it is principally those in the young and productive years who leave the low-income areas, a consequence is that such areas have a greater burden of the young, old, and handicapped to support. Thus in 1950 for each 100 persons aged 20 to 65, the low-income areas had 85 persons under 15 or 70 and over, while the better off areas had but 67 such persons to support.

Response to opportunity: What choices do farm people in low-income areas make about improving their situation? Do they respond in substantial numbers to better alternative opportunities? The answers to these questions are obviously important for policy decisions as to programs to aid the low-income farm group. The evidence emphatically supports the conclusion that large numbers of farm people from low-income areas have been willing to take advantage of better opportunities when they are available, even if it has meant leaving the localities in which they were reared. During the 1930-40 decade when economic conditions were relatively poor, there was little difference in the net outmigration from the farm population as between the low-income areas and the balance of the United States, 12.5 percent against 13.2 percent. But during the 1940-50 decade, with its many opportunities, the low-income area farm population had a net outmigration of 33.8 percent against only 28.0 percent in the medium and high income areas. Outmigration was highest, 36.9 percent, from the most serious low-income areas. Dr. Louis Ducoff in the Department of Agriculture makes the highly interesting estimate that about one-fourth of the expansion of the Nation's nonagricultural labor force between 1940 and 1954 was provided by workers from the low-income farming areas.

I think the response of people of these areas to alternative opportunities is clear.

Now, what about the causes of low income? Rural areas may be low-income areas for such reasons as the pressure of population upon the natural resources, depletion of the natural resources, the lack of adequate local employment opportunities, and a pattern of outmigration which leaves the area with a heavy burden of the young, old, and handicapped. The mere fact of the concentration of low-income families in such areas tends to make them self-perpetuating, in the absence of outside help, because the income is insufficient to permit supporting

the kind of services—education, health, and so forth—which would better qualify the residents for more productive employment.

Careful study makes it clear that, characteristically, the low-income families in such areas have a whole set of problems rather than a single problem as the cause of their difficulty. If they want to be farmers they may lack the land and capital to enable them to be employed productively, and thus they have a low ceiling on what they can earn with even their best efforts. They may not have the information needed to make the best occupational choice. They may not be sure of exactly where to go or what to do to find a real alternative to what they are now doing. Or they lack knowledge of the skills and practices to be better farmers or to qualify for a nonfarm job. Experience with the very low-income group about which Senator Sparkman inquired this morning shows that it is easy to overestimate their knowledge of even relatively simple skills and practices which would greatly improve their returns from available resources. Physical handicaps and ill health may serve as barriers. Family situations may be a restrictive influence. Attitudes may be unfavorable toward the changes necessary for an improved situation.

Beyond the individual family are certain institutional factors which may impersonally contribute to a low-income position for many families because of the whole set of circumstances with which they are associated. It seems significant, in analyzing the causes of low income, to find that about 80 percent of the Nation's sharecroppers are in the problem areas. Also these areas in 1950 had about 80 percent of the Nation's rural farm population, sometimes referred to as in the minority groups.

Self-perpetuating tendencies: The statement has already been made that depressed rural areas have certain self-perpetuating tendencies. Likewise, for low-income families there seem to be self-perpetuating tendencies at work. This is illustrated by the low-income families whose children are handicapped by limited education, by inadequate preventive health measures, and by attitudes and aspirations unfavorable to improving their position. Reaching the young people with effective measures is necessary to prevent the growth of a hard core low-income group which would be increasingly difficult to help in a rapidly changing society which constantly requires new and higher skills.

LOW-INCOME FAMILIES AND DEPRESSED RURAL AREAS—SOLUTIONS

Since there is not one low rural income problem, but many, since a set of causes rather than a single cause is at the root of the situation for many low-income families, and since deep-seated changes in human behavior are needed for effective rehabilitation, it is necessary to recognize that this will be a long-term process. Quick successes which are permanent are unlikely. The job is a big one and must be undertaken with perseverance and continuity. The attack must be on many fronts. The report on the Development of Agriculture's

Human Resources recommends a series of steps with which I am in strong agreement; my only fear is that the obstacles may not be sufficiently stressed.

Here I will comment upon but a few of the possible steps of assistance. I have classified them into three types: First, the indirect approaches. Some measures may be considered as representing an indirect approach as far as the individual family or area is concerned. These are among the most important measures, for the evidence clearly shows the favorable response of a great part of the low-income group to such steps. I refer to action to assure high-level nonfarm employment, to encourage the location of industries in labor-surplus areas, to make an adequate education and technical training possible wherever one may live, and to facilitate the availability and use of health resources needed to maintain the productiveness of all income segments of the population.

Direct approaches to families: Other measures may be considered as direct approaches from the viewpoint of the individual family. Credit, extension, and employment-service programs are illustrations. A continuation and expansion of present programs will meet the needs of a great many low-income farm families. However, modification will be needed to effectively work with the hard-core group. Experience shows that effective work with this group requires a great deal of educational assistance on a personal basis, professional workers need skills and knowledge supplementing that provided by the usual training in agriculture and home economics, and there must be a program which is either itself broad and flexible or well coordinated with other programs in order to make available the wide array of types of assistance needed to meet the wide range of problems the families typically have. Work with the hard-core groups is expensive in time and manpower, workers need to be trained, and progress has usually been slow although satisfying to see.

Direct approaches to areas: Community and regional development programs bringing to bear the necessary range of resources for study and action represent a third general type of approach to rehabilitation. Experimental efforts need to be vigorously pushed.

Summary: In these programs young people are the key to the future for through them may be broken a vicious cycle of generation after generation of low income. The role public policy should play in encouraging part-time farming needs consideration. Many people by their actions have indicated that they want the income of a non-farm job but the advantages of country living on more than just a residential basis. This group may be a desirable bridge between full-time farmers and city dwellers, but if they are to be encouraged, need to be provided with adequate and appropriate extension and credit services.

In the long run the measures taken as a part of our public policy for low-income farmers and depressed rural areas will be effective to the extent that they conform to the goal these people voluntarily have for themselves as free citizens in a democracy.

(The complete statement of Mr. Larson is as follows:)

SOCIOLOGICAL ASPECTS OF THE REHABILITATION OF DEPRESSED RURAL AREAS

Olaf F. Larson, department of rural sociology, New York State College of Agriculture, Cornell University

The Subcommittee on Low-Income Families of the Joint Committee on the Economic Report has posed nine complex questions concerning the rehabilitation of depressed rural areas for consideration by members of this afternoon's panel.

My comments will be directed at three general topics included in these questions: (1) Trends in depressed rural areas, (2) causes of depressed rural areas, and (3) factors aiding and retarding the rehabilitation of such areas. These comments are based in part upon the evidence provided by a number of national and local studies made by Federal and State agencies and in part represent a judgment growing out of observation of the programs for low-income rural people which have been tried during the past 25 years. There are still important gaps in the evidence needed from research to completely describe and understand the low-income agricultural situation and to propose the most efficient and economical program. Likewise, there has been insufficient evaluation of the reasons for the successes and failures of the programs which we have tried. A basic policy consideration, for example, is the questions of the best definition of the term "low-income farmer." Should the emphasis be on the farm, on the operator, or on the family? In another paper,¹ which I request permission to submit as a supplement to these remarks, I have discussed the importance of this problem of defining what we mean by "low income." One illustration of practical significance of what may seem on the surface to be merely a theoretical concern is pointed out in the paper to which I have just referred. Using the valuable estimates in the report on Development of Agriculture's Human Resources recently prepared for the Secretary of Agriculture, we see that on the basis of farms and operators we get estimates of the low-income farm problem which are only about half as large as those obtained on the basis of families connected in some way with operating a farm. However, since the low-income problem is obviously still a major one by any of the commonly accepted tests, I will not dwell further upon this matter of definition. I note that the limitations of arbitrary definitions have been acknowledged in the materials assembled by the committee's staff.

DEPRESSED RURAL AREAS—TRENDS

Summary of recent trends in low-income farmers

We can always expect to have a certain number of low-income families, be they farm or nonfarm, at a particular point in time, using any reasonable definition of low income. So satisfaction may be derived from the Bureau of Census estimates which appear in the committee's factbook, Characteristics of the Low-Income Population and Related Federal Programs, which show (table 3, p. 8) a decrease of 97,000 between 1948 and 1954 in the estimated number of farm families with a total money income of under \$1,000 and a decrease of 436,000 with money income under \$2,000 (using 1948 dollars, and using net rather than gross income from sales of farm products). However, when we take into account the fact that the total number of farm families decreased during these years, this same source indicates that the proportion of farm families in the under \$1,000 income group rose from 25 percent in 1948 to 30 percent in 1954. Another way of expressing this change is to say that, while there were only 78 percent as many farm families of all income categories in 1954 as in 1948, there were 94 percent as many families with less than \$1,000 income (see table 1).

¹ Olaf F. Larson, Sociological Aspects of the Low-Income Farm Problem, Journal of Farm Economics, vol. 37, No. 5 (December 1955).

TABLE 1.—Number of farm families, index of number of farm families, and percentage distribution by specified total money income, 1948 and 1954¹

Year	Money income				
	Total	Under \$1,000	\$1,000 to \$2,000	\$2,000 to \$3,000	\$3,000 and over
	Number (thousands of families)				
1948.....	6, 720	1, 680	1, 600	1, 380	2, 060
1954 (1948 dollars).....	5, 226	1, 583	1, 261	853	1, 529
1954 (current dollars).....	5, 226	1, 432	1, 215	793	1, 786
	Index [1948=100]				
1954 (1948 dollars).....	77. 8	94. 2	78. 8	61. 8	74. 2
1954 (current dollars).....	77. 8	85. 2	75. 9	57. 5	86. 7
	Percentage				
1948.....	100. 0	25. 0	23. 8	20. 5	30. 7
1954 (1948 dollars).....	100. 0	30. 3	24. 1	16. 3	29. 3
1954 (current dollars).....	100. 0	27. 4	23. 2	15. 2	34. 2

¹ Adapted from Bureau of the Census data published in Characteristics of the Low-Income Population and Related Federal Programs (84th Cong., 1st sess.), table 3, p. 8.

A longer-range view of national trends is provided by Department of Agriculture estimates of changes in the number of farms of the different economic classes between 1930 and 1950. During this 20-year period it is hopeful to see that there was a decrease of about 580,000 farms in the low-production category, that is, in what the Department of Agriculture and Bureau of Census now designate as class V and Class VI farms (this estimate is adjusted to 1950 price levels). These 580,000 farms represent a 26-percent decline in the number of commercial farms with less than \$2,500 in sales of farm products. The low-production farms remaining were 44 percent of all commercial farms in 1950, a slightly higher percentage than in 1930 (table 2). So these estimates indicate some absolute gains in decreasing the number of low-income farm families but also suggest that the relative proportion of farm families falling in this category has not shifted substantially over periods of depression and prosperity.

TABLE 2.—*Number and percentage of commercial farms in the United States, classified by economic class, 1930-50*¹

Years	Class of commercial farms ²		
	Total commercial farms ³	Larger commercial farms ⁴	Small family and small scale farms ⁵
	Number (thousands)		
1930.....	5,282	3,084	2,198
1940.....	4,717	2,677	2,040
1945.....	4,186	2,351	1,835
1950.....	3,711	2,093	1,618
	Percentage		
1930.....	100	58.4	41.6
1940.....	100	56.8	43.2
1945.....	100	56.2	43.8
1950.....	100	56.4	43.6

¹ Adapted from unpublished estimates developed in Production Economics Research Branch, U. S. Department of Agriculture, as published in Characteristics of the Low-Income Population and Related Federal Programs (84th Cong., 1st sess.), table 4, p. 199.

² Value of sales intervals adjusted to 1950 levels of prices received by farmers and output per worker.

³ Total of classes I through VI.

⁴ Farms with value of sales of \$2,500 or more.

⁵ Farms with value of sales of from \$250 to \$2,499 provided that, for farms with sales of from \$250 to \$1,199, the operator worked off-farm less than 100 days and value of farm sales was greater than family income from off-farm sources.

Trends in area concentration of low-production farms

It seems fair to assume that farm families in a low-income position due to what might be called normal causes (physical and mental handicaps, temporary setbacks, etc.) would be rather equitably distributed throughout the Nation. Yet examination of the available evidence not only clearly shows that such families are much more heavily concentrated in some parts of the Nation than in others but suggests that, at the best, the concentration was not being reduced between 1930 and 1950.

Again using information already provided to the committee by the Department of Agriculture, we see that in the 12 States comprising a major portion of the low agricultural income and level-of-living areas as delineated in Development of Agriculture's Human Resources, low-production farms increased from 53 percent of the commercial farms in these States in 1930 to 68 percent of such farms in 1950 (table 3). In contrast, in the remainder of the United States, low-production farms decreased from 35 percent to 30 percent of the commercial farms. Thus two-thirds of the commercial farms in these 12 States are low production as against one-third of the commercial farms in the other 36 States.

TABLE 3.—Number and percentage of commercial farms classified by economic class within selected low agricultural income States and remainder of the United States, 1930-50¹

State groups and years	Class of commercial farms ²		
	Total commercial farms ³	Larger commercial farms ⁴	Small family and small-scale farms ⁵
	Number (thousands)		
States included in low-income and level-of-living areas: ⁶			
1930.....	1,993	939	1,054
1940.....	1,870	703	1,167
1945.....	1,639	575	1,064
1950.....	1,321	420	901
	Percentage		
1930.....	100	47.1	52.9
1940.....	100	37.6	62.4
1945.....	100	35.1	64.9
1950.....	100	31.8	68.2
	Number (thousands)		
Remainder of the United States:			
1930.....	3,289	2,145	1,144
1940.....	2,847	1,974	873
1945.....	2,547	1,776	771
1950.....	2,390	1,673	717
	Percentage		
1930.....	100	65.2	34.8
1940.....	100	69.3	30.7
1945.....	100	69.7	30.3
1950.....	100	70.0	30.0

¹ Adapted from unpublished estimates developed in Production Economics Research Branch, U. S. Department of Agriculture, as published in Characteristics of the Low-Income Population and Related Federal Programs (84th Cong., 1st sess.), table 4, p. 199.

² Value of sales intervals adjusted to 1950 levels of prices received by farmers and output per worker.

³ Total of classes I through VI.

⁴ Farms with value of sales of \$2,500 or more.

⁵ Farms with value of sales of from \$250 to \$2,499 provided that, for farms with sales of from \$250 to \$1,199, the operator worked off-farm less than 100 days and value of farm sales was greater than family income from off-farm sources.

⁶ The States included here are Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. These States comprise a major portion of the low agricultural income and level-of-living areas delineated in Development of Agriculture's Human Resources.

⁷ All States except those named in footnote 6, above.

Putting these same statistics together another way, we see that the share of the Nation's larger commercial farms located in the 12 States has declined from 30 percent to 20 percent during the past 20 years while their share of the low-production farms increased, being 56 percent in 1950 (table 4).

TABLE 4.—Percentage of commercial farms by economic class distributed between selected low agricultural income States and the remainder of the United States, 1930-50¹

State groups and years	Class of commercial farms ²		
	Total commercial farms ³	Larger commercial farms ⁴	Small family and small scale farms ⁵
States included in low-income and level-of-living areas: ⁶			
1930.....	37.7	30.4	48.0
1940.....	39.6	26.3	57.2
1945.....	39.2	24.5	58.0
1950.....	35.6	20.1	55.7
Remainder of the United States: ⁷			
1930.....	62.3	69.6	52.0
1940.....	60.4	73.7	42.8
1945.....	60.8	75.5	42.0
1950.....	64.4	79.9	44.3

¹ Base data given in table 3. The total of the 2-State groups for each year adds up to the United States total of 100 percent.

² Value of sales intervals adjusted to 1950 levels of prices received by farmers and output per worker.

³ Total of classes I through VI.

⁴ Farms with value of sales of \$2,500 or more.

⁵ Farms with value of sales of from \$250 to \$2,499 provided that, for farms with sales of from \$250 to \$1,199, the operator worked off-farm less than 100 days and value of farm sales was greater than family income from off-farm sources.

⁶ The States included here are Alabama, Arkansas, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia, and West Virginia. These States comprise a major portion of the low agricultural income and level-of-living areas delineated in Development of Agriculture's Human Resources.

⁷ All States except those named in footnote 6, above.

This committee has already had before it the map showing the general areas of the Nation now classified as being "serious," "substantial," or "moderate" low-income and level-of-living areas (from the report Development of Agriculture's Human Resources). It seems highly significant that these agricultural problem areas are almost identical with what have commonly been considered the rural problem areas, whatever the criteria used, for the past half century. From the historical evidence presented in my supplementary paper, the conclusion is clear that the concentration of low-income farm families in approximately these same areas has been remarkably stable and persistent except for more or less temporary crises experienced by farmers in the Great Plains States.

Surely, neither today's concentration of low-income farmers in certain areas nor the persistence for decades of the same areas of concentration can be interpreted as a function of "normal" personal and family disabilities nor of "temporarily" disadvantaging situations.

DEPRESSED RURAL AREAS—CAUSES

Population increase

We know that agricultural land resources per farm are less in the problem areas than elsewhere in the United States (Development of Agriculture's Human Resources, table 4, p. 11). A basic question which then arises has to do with population increase. Is this increase such as to disproportionately aggravate the pressures in these areas on agricultural land resources? Nationally and for the broad census regions (north, west, and south) we know that families on low-production commercial farms as of 1950 were producing more than their share of children as compared with other farm families.² A recent report clearly shows that this characteristic carries over to the low farm income areas as a whole. As of 1950 these areas had a fertility ratio (ratio of children under 5 to 1,000 women aged 15 to 49 years) more than 7 percent in excess of the ratio for the rest of the farm areas of the Nation.³ For the "serious" and "substantial" low-income areas, the ratio was about 13 percent higher than for the "medium and high" areas. This tendency may be expressed in another way by noting that during

² U. S. Bureau of the Census, Farms and Farm People—Population, Income, and Housing Characteristics by Economic Class of Farm, June 1953, table 18, p. 63.

³ Louis J. Ducoff, Trends and Characteristics of Farm Population in Low-Income Farming Areas, Agricultural Marketing Service, U. S. Department of Agriculture, table 3, p. 7.

the 1950-60 period the low-income areas will have 200 young farm men reach the age of 20 for every 100 who reach the age of 65 or die between the ages of 20 and 65; in contrast, the comparable figure for the medium and high income areas is 143.⁴ For the most "serious" low-income area the ratio is 221. Thus, because of population increase, more jobs have to be found for the new generation of workers in the low-income than in the high-income areas.

Despite these higher fertility and working age replacement ratios, the low-income areas had a greater net decline in their farm population between 1940 and 1950 than did the good farming areas. The low-income areas as a whole had a 26 percent smaller farm population, at the end of this 10-year period of war and prosperity, and the most "serious" low-income areas had 28 percent less while the "medium and high" income areas declined 21 percent.⁵

The net result of this greater loss of farm population was that by 1950 the low-income areas had 48 percent of the total farm population, a slightly smaller share than they had 10 years earlier (table 5).

TABLE 5.—Rural-farm population by sex, distributed by farming income areas, United States, 1940 and 1950¹

Level of income area	1950			1940		
	Total	Male	Female	Total	Male	Female
Number (thousands)						
United States.....	23,048	12,079	10,970	30,216	15,940	14,276
Percentage						
Medium and high.....	52.3	53.1	51.5	50.8	51.7	49.8
Low.....	47.7	46.9	48.5	49.2	48.3	50.2
Serious.....	22.1	21.6	22.5	23.3	22.8	24.1
Substantial.....	11.9	11.7	12.2	12.4	12.1	12.6
Moderate.....	13.7	13.6	13.8	13.5	13.4	13.5
Total.....	100.0	100.0	100.0	100.0	100.0	100.0

¹ Adapted from Louis J. Ducoff, Trends and Characteristics of Farm Population in Low-Income Farming Areas, Agricultural Marketing Service, U. S. Department of Agriculture, table 1, p. 4.

Since it is principally those in the young and productive years who leave the low-income areas, a consequence is that such areas have a greater burden of the young, old, and handicapped to support. Thus in 1950 for each 100 persons aged 20 to 65, the low-income areas had 85 persons under 15 or 70 and over while the better off areas had but 67 such persons to support.⁶

Response to opportunity

What choices do farm people in low-income areas make about improving their situation? Do they respond in substantial numbers to better alternative opportunities? The answers to these questions are obviously important for policy decisions as to programs to aid the low-income farm group. The evidence emphatically supports the conclusion that large numbers of farm people from low-income areas have been willing to take advantage of better opportunities when they are available, even if it has meant leaving the localities in which they were reared. During the 1930-40 decade when economic conditions were relatively poor, there was little difference in the net out-migration from the farm population as between the low-income areas and the balance of the United States, 12.5 percent against 13.2 percent.⁷ But during the 1940-50 decade, with its many opportunities, the low-income area farm population had a net out-migration of 33.8 percent against only 28.0 percent in the medium- and high-income areas. Out-migration was highest, 36.9 percent, from the most "serious" low-income areas. Dr. Louis Ducoff in the Department of Agriculture makes the highly interesting estimate that about one-fourth of the expansion of the Nation's nonagricultural

⁴ Ducoff, op cit., table 2, p. 4.

⁵ Ducoff, op. cit., table 1, p. 4.

⁶ Ducoff, op. cit., table 3, p. 7.

⁷ Ducoff, op. cit., table 2, p. 4.

labor force between 1940 and 1954 was provided by workers from the low-income farming areas.

The willingness of many people in the depressed farm areas to respond to opportunities when available is also well documented by a number of more local studies. For example, at the end of 1942 a survey was made in 10 widely dispersed counties of 606 farm families who 2 and 3 years earlier were too poor prospects to qualify for help under even the regular rehabilitation program of the former Farm Security Administration.⁸ During this short period these families, with some help from a special program, had not only increased their incomes, net worth, and production but 330 of the operators were doing off-farm work averaging 104 days each; 39 had left the farm completely. An additional 85 members of these 606 families had left home to go into industry. In 1946 I had an opportunity to check into the adjustments made by the 58 families in this special group in Thurston County, Wash. (a "moderate" low-income area). Of these, 48 had received 1 or more types of public relief during the late 1930's. The immediate effect of entering the special program between 1939 and 1942 had been to give more attention to the farm enterprise. But the demand for manpower and rising wages soon drew many of the workers off the farm. During the war years the heads of 43 of these 58 families were occupied most or all of the time with nonfarm work (including 5 in the Armed Forces), 5 had died or retired, leaving only 10 who continued during the war with farming as their major occupation. In the spring of 1946, 23 were completely out of agriculture, 16 lived on their farm but had the major occupation off farm and 13 (or 22 percent) had agriculture as their primary occupation (6 were out of the employment picture). During these few years, those still farming had been able to nearly quadruple their assets (\$2,205 to \$8,145), increase net worth nearly 5 times \$919 to \$4,355), and increase cropland harvested threefold (7.3 acres against 20.9 acres).⁹

Many and complex causes of low-income

Rural areas may be low-income areas for such reasons as the pressure of population upon the natural resources, depletion of the natural resources, the lack of adequate local employment opportunities, and a pattern of out-migration which leaves the area with a heavy burden of the young, old, and handicapped. The mere fact of the concentration of low-income families in such areas tends to make them self-perpetuating, in the absence of outside help, because the income is insufficient to permit supporting the kind of services (education, health, etc.) which would qualify the residents for more productive employment.

Careful study makes it clear that, characteristically, the low-income families in such areas have a whole set of problems rather than a single problem as the cause of their difficulty.¹⁰ If they want to be farmers, they may lack the land and capital to enable them to be employed productively, and thus they have a low ceiling on what they can earn with even their best efforts. They may not have the information needed to make the best occupational choice. They may not be sure of exactly where to go or what to do to find a real alternative to what they are now doing. Or they lack knowledge of the skills and practices to be better farmers or to qualify for a nonfarm job. Experience with the very low-income group shows that it is easy to overestimate their knowledge of even relatively simple skills and practices which would greatly improve their returns from available resources.¹¹ Physical handicaps and ill health may serve as barriers. Family situations may be a restrictive influence. Attitudes may be unfavorable toward the changes necessary for an improved situation. In a recently published study of interviews with male heads of farm families in rural areas in eastern Kentucky, only 11 percent said they would be willing to move away to take a year-round nonfarm job, 23 percent would take full-time nonfarm employment if they could continue to live at home, and 29 percent would take a nonfarm job during the slack season of farm work if they could live at home.¹² A similar study in a

⁸ Rachel Rowe Swiger and Olaf F. Larson, *Climbing Toward Security*, Bureau of Agricultural Economics, U. S. Department of Agriculture, November 1944.

⁹ A series of studies in eastern Kentucky, a "serious" low-income area, are particularly helpful in understanding the details of the adjustment to outside opportunity. See Olaf F. Larson and James C. Downing, *Manpower for War Work—Eastern Kentucky*, Bureau of Agricultural Economics, U. S. Department of Agriculture, May 1943; Howard W. Beers, *Effects of War on Farm Population in Kentucky*, Kentucky Agricultural Experiment Station Bull. 456, April 1944; Howard W. Beers and Catherine P. Heflin, *People and Resources in Eastern Kentucky*, Kentucky Agricultural Experiment Station Bull. 500, May 1947; Robert E. Galloway, *Rural Manpower in Eastern Kentucky*, Kentucky Agricultural Experiment Station Bull. 627, June 1955.

¹⁰ Olaf L. Larson and others, *Ten Years of Rural Rehabilitation in the United States*, Bureau of Agricultural Economics, U. S. Department of Agriculture, July 1947, pp. 128-129.

¹¹ Swiger and Larson, *op. cit.*, pp. 13 and 18.

¹² Galloway, *op. cit.*, pp. 26-27.

southeastern Oklahoma rural area with considerable underemployment found some negative attitudes toward fuller employment, especially if it were necessary to leave the area permanently.¹³

Beyond the individual family are certain institutional factors which may personally contribute to a low-income position for many families because of the whole set of circumstances with which they are associated. It seems significant, in analyzing the causes of low income, to find that about 80 percent of the Nation's sharecroppers are in the problem areas. Also these areas in 1950 had about 80 percent of the Nation's rural farm population sometimes referred to as in the minority groups.

Self-perpetuating tendencies

The statement has already been made that depressed rural areas have certain self-perpetuating tendencies. Likewise, for low-income families there seem to be self-perpetuating tendencies at work. This is illustrated by the low-income families whose children are handicapped by limited education, by inadequate preventive health measures, and by attitudes and aspirations unfavorable to improving their position. Reaching the young people with effective measures is necessary to prevent the growth of a "hard core" low-income group, which would be increasingly difficult to help in a rapidly changing society which constantly requires new and higher skills.

LOW-INCOME FAMILIES AND DEPRESSED RURAL AREAS—SOLUTIONS

Since there is not one low rural income problem but many, since a set of causes rather than a single cause is at the root of the situation for many low-income families, and since deep-seated changes in human behavior are needed for effective rehabilitation, it is necessary to recognize that this will be a long-term process. Quick successes which are permanent are unlikely. The job is a big one and must be undertaken with perseverance and continuity. The attack must be on many fronts. The report on the Development of Agriculture's Human Resources recommends a series of steps with which I am in strong agreement; my only fear is that the obstacles may not be sufficiently stressed.

Here I will comment upon but a few of the possible steps of assistance.

Indirect approaches

Some measures may be considered as representing an indirect approach as far as the individual family or area is concerned. These are among the most important measures for the evidence clearly shows the favorable response of a great part of the low-income group to such steps. I refer to action to assure high level nonfarm employment, to encourage the location of industries in labor-surplus areas, to make an adequate education and technical training possible wherever one may live, and to facilitate the availability and use of health resources needed to maintain the productiveness of all income segments of the population.

Direct approaches to families

Other measures may be considered as direct approaches from the viewpoint of the individual family. Credit, extension, and employment-service programs are illustrations. A continuation and expansion of present programs will meet the needs of a great many low-income farm families. However, modification will be needed to effectively work with the "hard core" group. Experience shows that effective work with this group requires a great deal of educational assistance on a personal basis, professional workers need skills and knowledge supplementing that provided by the usual training in agriculture and home economics; and there must be a program which is either itself broad and flexible or well-coordinated with other programs in order to make available the wide array of types of assistance needed to meet the wide range of problems the families typically have. Work with the hard-core group is expensive in time and manpower, workers need to be trained, and progress has usually been slow although satisfying to see.

Direct approaches to areas

Community and regional development programs bringing to bear the necessary range of resources for study and action represent a third general type of approach to rehabilitation. Experimental efforts need to be vigorously pushed.

¹³ James D. Tarver, A study of Rural Manpower in Southeastern Oklahoma, Oklahoma Agricultural Experiment Station Technical Bull. No. T-56, September 1955, pp. 24-25.

Summary

In these programs, young people are the key to the future for through them may be broken a vicious cycle of generation after generation of low income. The role public policy should play in encouraging part-time farming needs consideration. Many people by their actions have indicated that they want the income of a nonfarm job but the advantages of country living on more than just a residential basis. This group may be a desirable bridge between full-time farmers and city dwellers, but if they are to be encouraged, need to be provided with adequate and appropriate extension and credit services.

In the long run, the measures taken as a part of our public policy for low-income farmers and depressed rural areas will be effective to the extent that they conform to the goals these people voluntarily have for themselves as free citizens in a democracy.

Senator SPARKMAN. Thank you, Mr. Larson.

Mr. Long.

STATEMENT OF ERVEN J. LONG, HEAD, DEPARTMENT OF AGRICULTURAL ECONOMICS AND RURAL SOCIOLOGY, THE UNIVERSITY OF TENNESSEE

Mr. LONG. Mr. Senator, I am happy that you referred to the list of questions that your subcommittee submitted because I think they are a very penetrating list of questions that get very much to the issue.

In the fuller document that I prepared what I did really was to try to relate our research program to these questions. We have done a rather unusual amount of our research around these issues, and have had the support of, I believe, four other universities. In trying to stay within what one can say in 5 minutes on this subject I have sort of laid out the general ideas rather than the evidence.

The subcommittee has posed some penetrating questions as to why, in a generally prosperous economy, there exist several fairly large rural areas in which a large proportion of the families receive extremely low incomes, and what might be done to rehabilitate these areas economically and to increase the earnings of these low-income families.

In brief, the low level of incomes in such economically depressed rural areas results from the fact that the areas have failed, historically, to participate as fully in the economic growth processes of the country as have other areas or other sectors of the economy. Populations in these areas have grown more rapidly than new job opportunities have been created. Population pressure on the land has thwarted farm enlargement so that a large proportion of the farm remains too small to afford a family an adequate living.

Some of this pressure on available farmland resources has, of course, been relieved by migration of some of the people into other areas, such as the midwestern industrial centers. Over the years this migration has not been nearly rapid enough, however, to close the gap between local employment opportunities and population increases. Besides, and I think we can all appreciate this fact, a very substantial margin between earnings in the low-income areas and in the industrial areas is necessary to induce such migration. That is, earnings in population-surplus areas will always lag behind earnings in other areas as long as the population-surplus areas must rely on outmigration to keep local population in balance with local job opportunities.

This is, therefore, a limitation to outmigration as a solution to the surplus-population problem.

Sole reliance upon outmigration to relieve population pressure has the additional serious disadvantage that the rearing of youth in such depressed rural areas for export to outside areas is a tremendously wealth-depleting process.

I think everyone thus far has commented on the credit problem. I won't go into it. Certainly we recognize the shortage of capital in these so-called depressed areas is at the heart of the problem. Money invested by farm families in rearing these children, feeding, clothing, educating them, and so forth, is diverted from capital investment uses in the areas, and essentially carried off with them as they migrate into other areas.

Someone said it is a little bit like rearing mules in Tennessee, just breaking them to harness and then letting the Indiana farmers get the use out of them. It was found in a research project we did in Tennessee, that using the year 1949 as a year for measurement, an excess of \$135 million worth of capital, that is, \$600 per farm, was drained out of Tennessee in that process in 1 year. This loss—I haven't calculated it on a precise basis, but it could easily be in excess of \$2 billion per year for the 13 Southern States.

Of course, there are some backflows, and so forth, that we all appreciate, but I am sure they are not adequate to compensate for this amount. These are big figures when you are talking about agriculture.

On the other hand, an attempt to solve the problem of the larger depressed rural areas such as the South simply by increasing production on the low-income farms will probably result in little, if any, improvement. I should qualify that by saying that that is to say that we will get little, if any, improvement if we try to increase incomes on these farms for as many people as we now have there.

The demand for farm products is so inelastic that price falls would probably offset the production increases so that the total agricultural income in the areas would not be materially increased. Here we have to be very careful and distinguish what can be done for one farm or a few farms, or a community, and what can be applied as a program for 1½ million farms. If you apply the program for 1½ million farms, of course it will have effects on the prices that a program for one farm will not have.

These facts point to the need for a balanced program of rehabilitation of depressed rural areas, which will include (1) expanded non-farm economic development within the areas—I think this is the most important of the three; (2) stimulated outmigration to relieve pressure of population on resources, at least until local nonfarm development takes up the slack, and absolutely important, as Dr. Black pointed out; (3) programs to help families who remain in farming enlarge and reorganize their farming systems for greater profit in response to lessened population pressure on land resources. That is after people do migrate out and leave the opportunity for family recombination, their recombination does not take place automatically, but people who remain have to be given help. This is something which is quite close to me because my home community was one in which everyone left, and yet though they left over a period of years, the ones

who remained behind did not take any advantage of it; in fact, it seemed as though we got harder and harder up as our neighbors left.

Expanded nonfarm development will require a sharp acceleration in the rates of industrial and commercial development within the depressed rural areas. Encouragement should be given to private investments within these areas. I think sometimes that we have overlooked what can be done by working with the people who make the investment decisions. Possibilities of directing a greater proportion of public investments into the areas need to be given full consideration—a matter emphasized by the fact that, for example, Federal expenditures per capita in the seven Tennessee Valley States appears to have been only about one-half the average of the country as a whole for the years 1934 to 1953, this in spite of all the emphasis given in discussion to the amount of money spent on the TVA.

Coordination and reorientation of the activities of employment services, vocational education, Agricultural Extension Service, and other agricultural agencies and governmental agencies generally—that is, coordination of their programs and reorientation of these programs specifically toward the problem of rural underemployment are essential to all three phases of such a balanced rehabilitation program. Similarly, improvement of education is of great importance in several ways.

On behalf of this pilot county approach I might say that in Tennessee I have observed, that getting all these agencies together in one county and recognizing a common problem has done more to jar thinking loose from old ways of looking at things than anything I have seen. I hope it can be generalized as quickly to statewide programs as it has been adapted to the local problem.

I noticed Dr. Bishop concluded his comments on education and I should like to do so, also. We have done a good deal of research on what education means to these depressed areas, and we have found that improvement of education is of great importance in several ways.

Education has been found in our research to be very strategic in inducing and enabling rural people to take advantage of economic opportunities, whether this involves moving into another area, going into nearby nonfarmwork, or doing a better job of farming. It helps even to reduce somewhat the rates at which population surpluses are created. On each of these three points I mentioned, 1 year of education, e. g., the difference between a sixth-grade and seventh-grade education, is statistically significant in terms of the effect it has on the way in which people respond to opportunities.

Thank you.

(The complete statement of Mr. Long is as follows:)

REHABILITATION OF DEPRESSED RURAL AREAS

Erven J. Long, head, department of agricultural economics and rural sociology, the University of Tennessee

The problem of low-family incomes among farm people is, of course, many sided. The full array of causes of family adversity which beset urban families may, in general, be expected to affect farm families also. Rural populations have their share of indolent people, of improvident people, of physically and mentally handicapped, of uncared-for aged persons and children—of people just down on their luck. But these circumstances are quite randomly distributed throughout society, and cannot explain the existence of large economically depressed rural areas.

Very wisely, I think, this subcommittee has focused this one session on the rehabilitation of depressed rural areas; for this focus recognizes that perhaps some factors disadvantage entire areas, so that a badly disproportionate number of rural families have family incomes substantially below those characteristic of other rural areas or of other sectors of the economy. It recognizes also that means appropriate to dealing with the problem of poor families dispersed throughout a moderately prosperous agriculture are not adequate for dealing with the problem of large depressed rural areas.

The subcommittee has posed a challenging group of questions which truly get to the roots of the problem. If reliable and complete answers to them can be found, we should be well on our way to a solution of the depressed rural areas problem. Having been reared on a farm in one of the "depressed" rural areas—the northern Lake States cutover—I feel the deepest sympathy with the subcommittee's objectives and hope most fervently for its success. For the last 5 years I have had immediate supervisory responsibility of a research organization devoting a substantial part of its resources to research on the issues posed by the subcommittee. My comments shall, therefore, consist largely of a relating of our research findings to these questions. For expository purposes, the questions and their order are slightly modified, but the issues dealt with remain the same.

I

In this section I shall attempt to deal briefly with the following questions: What causes depressed agricultural areas to develop? How important is quality of land as a cause? Of what significance is shortage of capital? Are depressed rural areas self-perpetuating? What is the role of the rate of population increase in this process?

This is a large array of questions; and these questions suggest many more. They do, however, serve as a lead into the problem of the causes of depressed rural areas. One can visualize the problem by asking: Why have large proportions of the families in certain rural areas failed to participate in the generally rising American standard of living? Clearly, it is because the processes of general economic growth have failed to award these areas the advantages that have come to other areas. The question, then, is: Why? And, still more to the point, what can be done to correct the situation?

The explanation of the causes of depressed rural areas is largely historical—and as the economists like to say, "institutional." To attribute too much significance to the role of quality of land is dangerous. We all know of individual farmers who do well on poor land—and vice versa. We know, too, of areas of low per acre productivity with relatively high family incomes (such as much of the western grazing area) and areas of high per acre productivity with relatively low family incomes (such as the Mississippi Delta). However, it is dangerous also to ignore the quality of land, as we know too that within nearly any area, where a given type of farm organization predominates, a very close correlation exists between land productivity and income.

This seeming paradox suggests the real problem: Low-farm incomes result when there is a misfit of the mode of farm organization to the resources of the area.¹ To the extent that on most of the farms the misfit continues, depression of farm incomes in the area persists; to the extent that farming systems are adapted to local resources, the low-income problem may progress toward solution. Such adaptation, unfortunately, usually requires substantial adjustments in factors quite beyond the individual farmer's control.

The misfit of farming systems to resource bases in low-income areas has resulted from a wide variety of circumstances. In the Lake States cutover region it was largely the result of the attempt to fit the Corn Belt mode and scale of farming to an area where low soil productivity, shortness of season, distance to market and lack of research-based knowledge or even experience specific to the area made such farming systems untenable.² In much of the Great Plains, the attempt to carry humid area scale and type of farming onto the prairies resulted in widespread economic tragedy for those who made the early attempts.³ In this area, and to a certain extent in the cutover, the basic tendency toward mobility characteristic of a pioneering people, coupled with the economic harsh-

¹ Erven J. Long, *Poverty Within Agriculture—Discussion*, *Journal of Farm Economics*, November 1949, pp. 1113-1117.

² Erven J. Long, *The Severson Community: A Glimpse of Northern Wisconsin in Process*, *Land Economics*, May 1949, pp. 193-208.

³ See, Seth King Humphrey, *Following the Prairie Frontier*, Minneapolis, the University Press, 1931.

ness of their experiences, resulted in large-scale withdrawal of the farm populations, followed in turn by a recombination of farm resources. Thus, in the Plains areas in particular, a type of farming was evolved adapted to the resource base—and the area is no longer considered as economically depressed.

In the South, where the great majority of the country's low-income rural families are to be found today, the causes of misfit of farm organization to the resource base were quite different. This area, particularly the Southeast, was settled early and had a pattern of economic organization well established and quite well adapted to the resource base under the conditions prevailing at the time. However, with the expansion of settlement into the fertile Midwest, and later into the eastern part of the Great Plains, the South found itself in competition with, and outstripped by, areas with a much higher productivity per person. This higher productivity resulted from a combination of circumstances, including the better adaptability of these new areas to the machines being developed at the time, the greater availability of new lands and the general sparsity of population, all of which contributed to the establishment of a pattern of relatively large-scale, commercial farming. Thus the South came under economic pressures which though less devastating than the cycles of droughts in the Plains were the more insidious in their effects because they were less perceptible. Near-at-hand off-farm job opportunities were extremely limited, no new agricultural lands of consequence were available within the area, and, although migration out of the South was substantial, it was not nearly adequate to absorb the continuously growing population (birth rates were relatively high among all American farm people at the time). Therefore, the increasing farm population settled back into the lands, on a constantly dwindling per capita resource base. Quite naturally, the types of farming which developed were those placing emphasis upon self-sufficiency, with heavy reliance upon such high labor using intensive cash crops as tobacco and cotton.

From this sketchy historical analysis it would seem clear that depressed rural areas will persist so long as population pressures on local agricultural resources are such as to prevent progressive adaptation of farming systems to the areas' resource bases. Thus, there is only limited scope for modern mechanization in such areas so long as there are 4 or 5 people trying to live off each 40 or 50 acres of low-to-medium quality cultivatable land.

II

We shift now from a brief analysis of causes of depressed rural areas to the subcommittee's questions on means of correction of the problem. What is the role of education? Of efforts to stimulate outmigration? Of programs of local industrial and commercial development? Of credit, educational and other programs to facilitate farm managerial improvement?

Within our system of political, economic, and social organization, in attempting to solve such problems we wisely rely primarily upon programs: (1) to improve the economic opportunities available to the individual (or family), and (2) to improve his ability to capitalize upon the economic opportunities society affords him. Certainly this appears to be the appropriate strategem in tackling the problem of economically depressed rural areas.⁴ It might be appropriate here to take up these items in reverse order.

To repeat, the question is: What can be done to stimulate underemployed rural people to capitalize upon economic opportunities and to increase their capacities to do so? These responses to opportunities may be divided into three general categories: (1) migration to distant job markets, (2) movement into near-at-hand nonfarm employment, (3) improvement of methods of farming, thus increasing profits on their farms.

Virtually all important writings on this subject and much of this subcommittee's deliberations stress the role of education in solving the low-income problem. We shall, therefore, turn to examine some evidence on this issue.

In attempting to analyze the relationship of education to migration to distant areas, most researchers have attempted to relate educational levels to rates of migration. In general, when the analyses have been sufficiently refined to reveal

⁴There are, of course, both within and without these depressed areas many individuals whose capacities even when fully utilized are not adequate to produce acceptable minimum living levels. These persons are the legitimate concern of public-welfare agencies and, as such, fall outside the scope of this discussion.

it, some net relationship between educational levels and migration rates has been found. Results have not, however, been always consistent. For example, in a middle Tennessee study, a rather sharp relationship was found to exist.⁵ In a west Tennessee study made at the same time no such relationship was found, although it was found to have existed prior to World War II.⁶

These inconsistencies suggest that, perhaps, migration rates are not quite the right variable to test the hypothesis that education's principal role is to enable underemployed people to seize upon economic opportunities. Pursuit of this hunch revealed a plausible explanation of the inconsistencies in the evidence. In brief, educational levels were found not to be significantly related to migration into near-at-hand, conventional employment opportunities. Nor did education importantly influence migration into distant job markets, once the migration channels had been smoothly worn by earlier migrants from the community. Hence, by the end of World War II, migration channels were well established from the west Tennessee community into Chicago, Detroit, and Lansing; so education was found not to be of great importance. However, it had been the more educated people who had pioneered the movement before the war. Similarly, from the middle Tennessee community, thought education was correlated with migration into near-at-hand jobs and into areas into which substantial numbers of people from the area had previously migrated, it was much more sharply related to migration into employment areas new to the people of the community.⁷

This is of much greater significance than a simple relationship between education and migration rates, for it bears testimony of the strategic role played by education in instilling in underemployed people the spirit and the capacity for economic self-improvement.⁸ This might be expected to apply to opportunities other than migration to outside areas. We shall look now at the evidence on its effect in improving the methods of farming of those who remain in agriculture.

It has normally been assumed that increased education of farm people should reflect itself in improved methods of farming and hence increased farm income. Here, as with migration rates, some such net relationship is usually found in studies of the subject, but, again, the evidence is often inconsistent. It is difficult to isolate the effects of education on farm income because in most areas the farm people who have been given the best education have also inherited the best farms and the most operating capital. And in certain areas, such as eastern Wisconsin, exactly the opposite is true.⁹

Again, formulation of the hypothesis in terms of the role of education in inducing and enabling farm people to capitalize on opportunities sharpens the treatment of the evidence. In this instance, "seizing upon opportunity" means changing customary ways of farming by adopting practices designed to improve farm incomes. The most direct type of evidence, therefore, would be that showing the effect of education on the acceptance by farmers of such new practices. Data from a current study of 255 farms in 3 counties of Tennessee show clearly the effect of education in leading farmers to improve their farming practices and wives to improve their homemaking practices (table I).¹⁰ This relationship again bears evidence of the role of education in enabling people to respond to opportunities.

⁵ R. B. Hughes, Jr., unpublished manuscript prepared from Tennessee Agricultural Experiment Station project: Impact of Industrial Development Upon Tennessee's Agriculture. Data to be presented in Ph. D. thesis, University of Chicago.

⁶ Joe A. Martin, unpublished manuscript, prepared from Tennessee Agricultural Experiment Station project: Impact of Industrial Development Upon Tennessee's Agriculture. Data presented in Ph. D. thesis, University of Minnesota.

⁷ This evidence is buttressed by the finding, in a study of rural migrants' experiences in Indianapolis, that of 156 migrants interviewed all but 9 had relatives or close friends from their home communities living in Indianapolis at the time they migrated. Eldon D. Smith, unpublished manuscript, University of Tennessee. Research conducted at University of Chicago on Rockefeller Foundation grant, and presented as Ph. D. thesis, University of Wisconsin.

⁸ This is of especial importance in view of the fact that the evidence we have been dealing with reflects the significance of deviations of 2 or 3 years of education from averages of 6 to 8 years.

⁹ Parsons, K. H., and Waples, E. O., *Keeping the Farm in the Family*, Wisconsin Research Bulletin 157, September 1945.

¹⁰ Howard J. Bonser, unpublished manuscript from Tennessee Agricultural Experiment Station project: A Study of Rural Community Organizations as They Effect the Diffusion of Information On, and the Adoption of, New Farming and Homemaking Techniques. Data to be presented in Ph. D. thesis, Pennsylvania State University. (The probability that these differences in practice acceptance could be due to chance sampling error in less than .001.)

TABLE I.—Average scores for adoption of improved farm and home practices, by amount of education of 255 farmers and their wives, east Tennessee, 1954

School grade completed by farmer	Improved farm practice acceptance score	School grade completed by wife	Improved home practice acceptance score
0 to 7.....	45.5	0 to 7.....	54.7
8.....	50.9	8.....	59.8
9 to 11.....	53.5	9 to 11.....	62.5
12.....	70.2	12.....	73.6
13 and up.....	79.3	13 and up.....	83.1

Perhaps education's most important impact of all is in its increasing the effectiveness of those underemployed rural people who decide to make their careers in nonfarm work near at home. Here, in view of the evidence presented earlier, we would not expect as much influence of education on the rates at which farm people leave farms for such jobs as upon the kinds of jobs such people take and their success in them. Of paramount importance is the fact that some of the local nonfarm employment is self-employment of the type that generates economic development and employment for other people. One such case of self-employment may mean several other jobs for people in the area, and hence is of much greater significance than a job in a distant area.¹¹ Such local economic development within or near to the depressed rural areas is indispensable to the areas' rehabilitation, as will be referred to later.

The type as well as amount of education may be expected to have an effect upon how well farm-reared people take advantage of economic opportunities, whether in farming or in nonfarm work. In the study mentioned above, it was found that people receiving vocational training in agriculture adopted somewhat more improved practices than people of similar levels of other types of education. In this case, one might not expect dramatic results, as the vocational training merely intensifies the student's knowledge of agriculture—the one vocation he already knows from experience. Even so, vocational education paid rather small but significant dividends in improved farming practices. That great majority of farm-reared youths who eventually go into nonfarm employment, however, must make a sharp departure from their past experience. It is here that education designed specifically to assist them in adapting themselves to these new fields of employment, and perhaps a somewhat changed way of life, should yield greatest results. This is a very important consideration in view of the large numbers of farm-reared youth in depressed rural areas who are destined for nonfarm employment, and for whom there are no nonfarm vocational education facilities. Research is badly needed on the accomplishments of various types of education in such low-income areas. Closely related is the fact that scholastic achievement by children depends importantly upon the adequacy of their diets. Though direct evidence is fragmentary, it is no doubt true that in most low-income areas, inadequate diets are genuine limiting factors in educational and physical development of children, and hence, their adult productivity. Thus, the problem of greatly expanded school-lunch (and, more importantly perhaps, breakfast) programs needs careful consideration.

One can hardly leave a discussion of education without commenting upon its influence upon population growth rates, because, in the long run, the rural South will probably continue to be disadvantaged economically as long as it continues to produce more people than jobs and thus must rely upon large net transfers of population out of the area. Two types of evidence on the influence of education on fertility rates in Tennessee are presented. First, in the middle Tennessee study, it was found that when other factors presumed important were held constant, each year's increase of the mothers' education resulted in a 13.3 percent reduction in the number of children the mothers had borne by the time they reached their mid thirties. In other words, with an additional year of education it took more than 9 mothers to bear the same number of children that would

¹¹ Technical note: Ordinarily, this type of enterprise requires considerable risk taking. Literature on the so-called underdeveloped economies abounds with descriptions of their backward sloping supply curves for capital, in contrast with the highly developed economies. That the propensity to take capital risks is a positive function of educational levels is suggested but by no means demonstrated by our data, and so I must treat the proposition, at the moment, as conjecture.

otherwise be borne by 8. Similarly, analyses of the net relationship between median educational levels of farm people and the average number of children per 1,000 women among the 95 Tennessee counties, showed a decrease of 58 children per 1,000 women for each year's increase from the same median educational level.¹²

III

We come then to the question of what emphasis should be placed upon improving farm production in the depressed areas? Upon programs to stimulate outmigration? Upon programs of industrial and commercial development of the areas themselves?

As in many such cases, reliance solely upon any one of these approaches will foredoom the effort. For example, an attempt to bring per capita agricultural earnings in the South in line with other areas solely by increasing farm production will, perhaps, result in no improvement at all. From what we know of the demand for farm products, and of the magnitudes of production increases that would be necessary, crude calculation suggests that prices would be forced down about as much as production would be increased. Thus, even if the South's aggregate farm production could be increased as much as, say, 50 percent, its gross farm income might remain essentially unchanged. Refined analysis is necessary to sharpen the estimate, but the general conclusion would remain the same.¹³

On the other hand, reliance solely upon outmigration (even assuming an adequate job market) will not automatically solve the problem. In the west Tennessee area studied, farmers appeared to reorganize resources quite well after population pressures on the land had been relieved by their neighbors' migrating to city employment. Efficiency, and hence incomes, of the farmers who remained behind appeared thus to be improved quite materially. On the other hand, because of differences in the nature of land resources, of type of farming and of ownership institutions (and perhaps other factors), the adjustment in the middle Tennessee study area was not so dramatic. And virtually total depopulation of the community where I was reared took place over a period of years and no farmer reorganized his farming operations in the process. Thus, although population outmigration creates the opportunity, economic adjustment by farmers to relieved population pressure on land resources is by no means automatic. Vigorous programs to assist remaining farmers to capitalize upon opportunities created by outmigration are necessary if incomes in the area are to be improved. Though such farmers need assistance in improving individual farming practices, their much greater need is for help in reorganizing and enlarging their farming systems in such a way as to take advantage of the lessened population pressure.

Even a combination of programs to stimulate outmigration and recombination of farm resources is not adequate to rehabilitate a depressed rural area as extensive as the South. In the first place, even at best outmigration is far from a frictionless process. A sufficient margin has to exist between the wages in jobs available to migrants in the outside areas and the migrants' earnings in their home communities to attract enough people out of the depressed areas to keep population in balance with farming opportunities. The size of this necessary margin tends to increase as distance to the outside job market increases. And earnings in the depressed area will ultimately lag behind by the amount of this margin.

Of even greater significance is the fact that the rearing of youths in such depressed rural areas for export to outside job markets is a tremendously wealth-depleting process. Of course, to the extent that population growth rates exceed employment opportunities within these areas, both the area and the individuals are economically benefited by their migration into other areas. But it must be borne in mind that money invested in rearing these children (feeding, clothing,

¹² Hughes, R. B., Jr., *op. cit.*

¹³ Technical note: Of a total of \$33,678,647,000 cash receipts from farming and value of home consumption in the United States in 1954, the South Central and South Atlantic States accounted for \$10,208,585,000, or roughly one-third. Although not all parts of all these States are in the so-called low-income area, this is probably offset by the low-income areas not in these States. Under the very optimistic assumption of a price elasticity of demand for American farm products of -0.5 , production increases for the area would be virtually offset by price decreases. (NOTE.—Such use of static elasticity concepts is, of course, hazardous in long-run analysis. However, in this instance it appears appropriate in that it conforms roughly to assessing the net effects of a program specifically increasing low-income-area production above its normal increase rate under conditions where, say, the rate of total national production increase equals the rate of national aggregate demand increase.)

educating them, etc.) is derived from productive capital investment uses in the area; and the youths leave for employment outside the area usually just as they reach the productive age, carrying this capital investment with them.

In a study recently completed, it was found that, by conservative estimate, an average of at least \$135, million worth of farm wealth was drained out of Tennessee by this process during the year 1949. This amounted to an average of over \$600 per farm.¹⁴

An attempt to estimate the magnitudes of wealth loss through this process for the 13 Southern States is now underway. No figures are available from the study, but the annual loss might well run up toward \$2 billion per year. So long as population growth outstrips growth in local job opportunities, total reliance upon programs of outmigration and farm reorganization will keep the area in a condition of severe disadvantage, at least unless compensating wealth and capital backflows are effected.¹⁵

Therefore, any program of rehabilitation of the South must place heavy reliance upon within-the-area nonfarm economic development. Every program, public and private, which shows promise of generating processes of economic growth within the depressed rural areas ought to be fully scrutinized for its possibilities. It is estimated that the American economy must grow at a rate adequate to employ an additional labor force of three-quarters of a million persons each year. It is the challenge to both public and private enterprise to direct these processes of economic growth in such fashion that the presently depressed rural areas will be caught up in these growth processes, and their present economic disadvantage thus removed.

The obstacles are immense but perhaps not insurmountable. Already in Tennessee new job opportunities are being created at the rate of about 17,000 per year, although this falls far short of the rate at which new entrants are coming into the labor force. Progress on the rehabilitation of depressed rural areas may well be cumulative on something of a geometric basis. As is well known, though low-income States spend less per school child than do the higher income States, many of them spend a considerably larger proportion of their income. Thus, of the 16 Southern States which generally make the lowest per capita education expenditure, 12 exceeded the national average in proportion of income spent for education.¹⁶ A rising income should sharply narrow the educational disadvantages of children from these States. This, in turn, may serve to stimulate the generation of economic growth in the area. Because of external economies to the business concerns involved, economic development of such areas perhaps stimulates further development. The fuller employment in nonfarm jobs of now underemployed rural people should importantly improve the demand for farm products, thereby easing the price problem for the families who remain in farming. Even population growth rates in the areas may come more nearly in line with economic opportunities as a result of increased wealth and improved education.

In short, the rehabilitation of depressed rural areas requires programs of (1) expanded nonfarm economic development within the areas, (2) stimulated outmigration to relieve pressure of population on resources, at least until local development takes up the slack, and (3) programs to implement farm enlargement and reorganization of farm resources in response to opportunities created by lessened farm population pressure. Each of these phases of a rehabilitation effort requires energetic pursuit and perhaps considerable reorientation of public efforts to this end.

On the first point, public investments and other expenditures may, perhaps, be redirected, and private investment stimulated through special incentives and other measures, to encourage economic growth in the depressed areas. The fact that, as an example, total Federal expenditures per capita in the 7 States in the Tennessee Valley region were less than one-half that of the national average over the period 1934-53 gives cause for thought on this problem.¹⁷ On the second point, improved informational services to potential migrants needs to be provided. The finding in the Indianapolis study is sobering: that although most (101 out of 130)

¹⁴ Erven J. Long and Peter Dorner, *Excess Farm Population and the Loss of Agricultural Capital*, Land Economics, November 1954, pp. 363-368.

¹⁵ The magnitudes of the migration, and the much greater role of money capital as distinct from land, make this problem in the South today very different from that in the Great Plains at the time when outmigration so greatly relieved the problem there. Interestingly, backflows of capital through Federal expenditures seem to be adverse to the depressed areas, on a per capita basis (see footnote 17 below).

¹⁶ Dewhurst and Associates, *America's Needs and Resources*, A New Survey, Twentieth Century Fund, p. 389.

¹⁷ Tennessee Valley Authority, *Government Relations and Economics Staff, Is the Tennessee Valley Favored in Federal Expenditures?* April 1955, p. VI.

of the rural migrants working in Indianapolis reported having some job information before migrating, only 3 indicated they received the information from public employment services.¹⁸ This suggests need probably for expansion and certainly reorientation of these agencies' programs as they relate to the rehabilitation of economically depressed areas. Similarly, the fact that most vocational agriculture students, and probably 4-H Club members, in these areas find their ultimate careers entirely outside agriculture suggests the need for an adjustment in the scope and content of these educational programs. On the third point, research, education, credit, and other services to families remaining in farming probably need to be expanded; but especially to be oriented more specifically to the problems faced by farmers in adjusting and enlarging their farming systems. Although these details are outside the scope of this paper, they all fall within the range of this subcommittee's deliberations; and a well-balanced, well-timed, and well-integrated program of public and private action to rehabilitate depressed rural areas could well be this decade's greatest contribution to the economic welfare of the American people.

Senator SPARKMAN. Thank you.

Mr. Nicholls.

STATEMENT OF WILLIAM H. NICHOLLS, PROFESSOR OF ECONOMICS, VANDERBILT UNIVERSITY

Mr. NICHOLLS. Before I begin my testimony here, Mr. Chairman, I would like to call your attention again to the much more exhaustive study that you were kind enough to insert into the record of the February 2 hearings of the joint committee, which were published as part of those hearings. Today I can be much briefer, but I did want to have a cross reference to that particular, much more extensive study.

Therefore, I just want to read some excerpts from my shorter statement of today. I might say that I am going to divide my presentation into three parts: One, outmigration of labor, second, inmigration of capital, and finally, industrialization of rural areas.

First, then, on outmigration of labor: It should become a major objective of public policy to facilitate the necessary process of outmigration from low-income areas. In the first instance, this will require a continuation of present sound monetary-fiscal policies, so vital in maintaining a stable and steadily expanding national economy and high levels of nonfarm employment. Under such favorable circumstances, a major part of the outmigration problem will be solved on a strictly voluntary individual basis. But other positive policies are still essential if the rate of outmigration is to be adequate.

First and foremost, there should be a substantial program of Federal grants-in-aid for public-school education and for expanded public-health services. During World War II, of all military draftees in the Southern States, 20 to 30 percent were rejected for mental or physical reasons and the rate was substantially higher (United States average, 41 percent) for farmers. I don't have that figure for the Southern States separately, but for the United States as a whole the average rejection rate was 41 percent for farmers.

Such figures are a national disgrace for a country as rich as ours. It appears certain that, as automation in industry proceeds apace, the educational requirements for industrial labor are rising rapidly. The South cannot afford to deny to its large rural population the opportunity to qualify for such relatively high-income employment. Nor, in the interest of national security, can the Nation tolerate so

¹⁸ Eldon D. Smith, *op. cit.*

high a rate of mental and physical defects in its largest reservoir of military manpower, southern youth.

Second, Congress should increase considerably its appropriations for vocational training grants-in-aid to the States, with particular emphasis upon encouraging training in nonfarm vocations in rural high schools. During the fiscal year 1953-54, only 24 percent of Tennessee's State school funds for vocational education were used for vocational training other than agricultural and home economics. Of this 24 percent, more than half was allocated to Tennessee's 4 largest urban counties and, of the remainder, only 34 other counties out of 91 received as much as \$1,000 (an average of \$4,700) during the entire year.

In general, the most rural counties received no funds for nonfarm vocational training, despite the fact that only 1 of every 2 or 3 high-school students can possibly remain in agriculture without further deterioration of their farm-family incomes. Not only are substantial increases in Federal vocational education funds called for, but Congress should thoroughly reexamine its statutory formulas for allocating these funds between farm and nonfarm programs and insist upon breaking down the administrative compartmentalization of the two programs from Washington down to the local level.

Third, the facilities of the United States Employment Service should be improved and extended in the Nation's low-income rural areas. Among low-income rural people, there is a woeful lack of information about the location and terms of nonfarm job opportunities elsewhere. Thus far, the Employment Service has been far less successful in serving the needs of the rural underemployed than in aiding urban workers. To be sure, the former is inherently more difficult to achieve. But it represents a vital need which should be met in low-income rural areas by more offices and personnel, less emphasis upon farm placement when better nonfarm alternatives exist, and by greater efforts to make the agency's present facilities more widely used.

This proposed combination of improved general education, nonfarm vocational training, and employment-information services should go far toward facilitating the higher rate of outmigration from low-income rural areas which is necessary if they are to find relief from their present low economic status.

INMIGRATION OF CAPITAL

As essential as outmigration of people from low-income rural areas is, it is easily overlooked that moving people out will rarely solve the local economic problem unless, at the same time, capital also moves in. For continuing rural areas a reduction in the number of people seeking a living from agriculture is a necessary, but not sufficient, condition for reorganizing local farming on a higher productivity, higher income basis.

To be sure, falling land values should follow, encouraging consolidation of present small operating units into farms of more economic size. But it will frequently also be necessary to change substantially the combination of farm products produced, with greater emphasis upon pasture and livestock, and to mechanize more of the farm operations. Tennessee's 21-year-old Star Farmer, Joe Moore (*Time*, Oct.

24, 1955), has shown what can be done in one of the South's low-income farming areas after much of its surplus rural population has moved away.

But such extensive farm reorganization takes great amounts of capital, particularly for such costly and time-consuming improvements as building up pasture and livestock herds and acquiring a proper complement of buildings and equipment. In low-income rural areas, intermediate-term farm credit for such uses is virtually unavailable from any source.

What is needed is a broad-scale attack on the farm credit problem in low-income rural areas. The Federal Reserve banks should promote to the fullest possible extent the participation of commercial banks in local agricultural development and their wider employment of agricultural agents in supervising the use of the credit they extend for farm reorganization and improvement. The agencies of the Farm Credit Administration should develop intermediate-term types of credit and do more to meet the other credit needs of small farmers in low-income rural areas. There should also be a substantial increase in the resources of the Farmers' Home Administration, with special emphasis upon its supervised intermediate-term farm improvement loans to promising farmers who lack access to private sources of farm credit.

Finally, the agricultural experiment stations and extension services should devote much more of their resources to facilitating farm enlargement, reorganization, and diversifications and establishing standards of performance to assist credit agencies in seeing that the limited supply of farm credit is put to its most effective use in low-income rural communities. Unless these things are done on the capital and credit side, the result will be abandoned farmland; social disorganization and (as the selective process of outmigration takes its qualitative toll) stranded and isolated farm people.

INDUSTRIALIZATION

At best, the human and social costs of outmigration are great and the achievement of a sufficient rate of outmigration of people and immigration of capital extremely difficult. Hence, insofar as it is feasible, industrialization of low-income rural areas is highly desirable.

In many instances, industrial development of densely populated rural areas may pay off in higher family levels of living. Such a process is by no means merely or primarily a matter of interregional competition—of moving given plants from one area to another.

First, even low-wage industries, which are no longer attractive to most workers outside of rural areas, may be a boon to workers whose only alternative local employment is in a near-subsistence agriculture. Second, as better local nonfarm employment opportunities develop, low-income farm families offer a significant new market for the farm-production goods and consumer goods produced in other regions.

Hence, public encouragement and assistance in the industrialization of low-income rural areas would appear to be desirable when the local resources are appropriate.

First, the activities of State industrial development commissions and of Federal agencies dealing with community and area development need to be improved and expanded considerably. Through these public services, rural communities with much underemployment can

be assisted in appraising their local resources, in determining the types of industries for which they are best suited, and in sound and far-sighted techniques for attracting and holding such industries.

At the same time, public agencies can serve as clearinghouses of information which will help industrialists to find satisfactory plant locations in such communities.

Second, the present uncertainties about the future of the Tennessee Valley Authority should be ended in such a way that, above all, the Southeast may be assured that its future total power supply will keep full pace with its industrialization needs. Although I personally believe that the South's low economic status warrants some Federal subsidization of its power rates, the South can still survive and grow without such power subsidies, provided its total power supply (whether public or private) continues to expand space. But it will wither on the vine if Congress refuses to enable the TVA to expand its power output and, at the same time, fails to create conditions which will encourage alternative sources of power to fill the vacuum satisfactorily. In current controversies about public versus private power and the extent of power subsidies, the South can afford to accept political compromise but stalemate might prove disastrous.

Third, the Department of Labor's designation of labor-surplus market areas needs to be broadened considerably to include those communities characterized by rural underdevelopment, not only those (as now) experiencing current industrial unemployment. If such rural communities could be identified and their hidden labor surplus brought out in the open, they would discourage complacency about our present statistically "full-employment" situation and might encourage industrialists to locate more plants in low-income rural areas.

Finally, any further increase in the national minimum wage should be avoided in the near future. Low-income rural areas have little to gain and much to lose for a higher minimum wage.

(Mr. Chairman, I might say with reference to Miss Bennett's earlier paper that I think broader coverage might be desirable. I am speaking rather of raising the level of the minimum.)

Even if a rise in the minimum wage does not result in unemployment for some already-employed Southern nonfarm workers, it will probably impede further expansion of local nonfarm employment when there is a crying need for such expansion. At the present minimum wage of \$1, most low-income farm people would be glad to work in a local industry as an alternative (or perhaps in combination with) the 25 to 30 cents an hour they are now earning in agriculture. Insofar as a still higher minimum wage might limit the creation of additional nonfarm job opportunities, I believe that the losses of low-income farm people would far more than outweigh any possible gains for those Southern people already employed in covered industries.

(The complete statement of Mr. Nicholls is as follows:)

REHABILITATION OF DEPRESSED RURAL AREAS

William H. Nicholls, professor of economics, Vanderbilt University

In my testimony before the Joint Committee on the Economic Report on February 2, I was permitted to insert into the record of the hearings a very lengthy analysis of the low-income rural problem, concluding with a large number of recommended changes in public policy which I believe are the necessary means to a solution of that problem. Since my previous statement was both compre-

hensive and exhaustive, I should like to call the attention of the subcommittee to that statement as published in the earlier hearings this year.¹ Having done the specific questions which your staff has submitted to members of the present panel.

WHY DID DEPRESSED RURAL AREAS DEVELOP?

Historical background

America's persistently low-income communities can usually find the roots of their income problem deep in the Nation's economic and political history. In some cases, their present predicament is the result of the exhaustion of, or unduly heavy dependence upon, some once rich natural resource, such as timber or coal. The cutover regions of the Lake States and the Appalachian coalfields are familiar examples. In many other cases (notably in the hillier areas of the upper south and the southern counties of some of the North Central States) an early date of settlement, followed by a long period of economic and cultural isolation, brought the establishment of a pioneer pattern of small subsistence farming which has been very slow to change. Handicapped at the outset by lack of access to commercial markets, some of these areas ultimately developed temporarily favorable markets for grain and livestock only to lose them in competition with the products of the newer and richer lands of the Midwest while failing to find satisfactory alternative sources of cash income. Frequently, such communities also suffered from the political neglect of their transportation and educational needs by their own State governments, which tended to be dominated by the interests of the larger and wealthier landowners in more favored parts of their respective States.

Still other communities (particularly in the Old Cotton South)—although often favored by better topography, soil, and access to markets—institutionalized a low-productivity organization of agriculture which has persisted until the present day. In the prevailing slave economy, capital was drained into slaveholdings, encouraging complete specialization rather than diversification of commercial agriculture. Prior to the Civil War, the political and social dominance of the planter class in the South produced effective resistance to democratizing influences such as extension of the suffrage, abolition of property qualifications for voting, free universal public education, and property taxation for the general welfare. The low status of the laborer in a slave society also repelled the immigration of northern and foreign artisans. In all these respects, further aided by a more effective use of public land policy to support education and internal improvements, the rural midwest's more democratic institutions produced a broader socioeconomic foundation for economic progress. The ante bellum South was further handicapped by its strong belief in an agrarian philosophy and by the extent of positive antagonism to industrial-urban development as an inferior way of life.

The Civil War in turn brought the general impoverishment of the South through the destruction of property and the transport system, the confiscation of slaves, and the general insolvency of Southern State governments. In cotton production, the coincidence of emancipated slaves with nothing to offer but their hands and of planters devoid of cash or credit, soon saddled the South with a low-productivity system based on crop-share wages to Negro labor and merchant credit (secured by crop liens) to the impoverished planters. Reconstruction also brought economic stagnation to the South during a crucial period when the rest of the Nation was rapidly expanding its manufacturing, commerce, transport, and mechanized agriculture. To be sure, there quickly arose a widespread recognition (born partly of military defeat, partly of belief in the Negro's lack of adaptability) of the need for northern and foreign industrial capital and artisans in the South. But, intensive efforts by State governments to attract outside capital and skilled labor met almost universal failure. Furthermore, while the end of the war brought partial social revolution through constitutional revisions which broadened the suffrage and established free universal education, the effects were largely abortive. The vindictive spirit of Reconstruction aroused a bitterness which was slow to die, encouraged continued cultural isolation, and brought a reaction which was conservative, paternalistic, and based on narrow socioeconomic foundations. Policies aimed at suppressing the political rights of the Negro also seriously discouraged political participation by lower-income

¹ 84th Cong., 1st sess., hearings before the Joint Committee on the Economic Report on the January 1955 Economic Report of the President, Washington, 1955, pp. 664-698. So, I can be much briefer this time, centering most of my attention on some of

whites as well. Thus, the serious effects of a deficit of capital in the Southern States were reinforced by social attitudes which tended to neglect the importance of public investment in the quality (education, health, etc.) of their human resources. For all of these reasons, poverty in the rural South became largely self-perpetuating.

Some common characteristics of low-income rural areas

I have thus far emphasized the historical factors leading to our modern rural-low-income problem primarily because the problem continues to be centered in the Southern States, whose peculiar political and social history does much to account for the origins of their rural poverty. Regardless of historical background, however, all of America's low-income rural areas have certain common characteristics. First, their farm families earn little because they produce little; and they produce little primarily because they have too little farmland and farm capital to work with. Second, they tend to have high birthrates and (despite large outmigration) suffer from the heavy pressure of population on the local land supply because of the absence of nearby nonfarm employment opportunities. Third, because their communities are poor, they lack the indigenous capital necessary for reorganizing their farms on a larger and more efficient basis and for adequate public investment in their human resources. Fourth, they face a steady drain on even their limited social resources through the outmigration of much of their population as it reaches the productive years. Fifth, since agricultural land offers almost the only source of income to those who remain in the depressed area, land value tend to be bid up to unduly high levels, drastically reducing the net return to labor and discouraging much-needed consolidation of small farms into larger, more efficient, and better diversified operating units. Sixth, given the excess local labor supply and low returns to farm labor, farm proprietors are encouraged to use both family and hired labor in inherently low-productivity forms of economic activity. Seventh, local financial and credit institutions are inadequately developed and lack both the capital resources and the requisite knowledge for promoting the economic reorganization of the local agriculture—particularly in those directions in which intermediate-term farm credit is a vital need. Finally, marketing institutions—both those providing outlets for local farm products and those distributing consumer and production goods used by farmers—are poorly developed, inefficient and noncompetitive, and offer inadequate informational and credit facilities.

It should be emphasized that the quality of the local farmland is frequently of little importance in explaining the existence of communitywide rural poverty. Unfavorable soil, topography, and climate have not prevented much of New England agriculture from attaining a high level of average family incomes. Nor have the highly favorable natural conditions of the Mississippi Delta prevented its average family incomes from being among the lowest in the Nation. The basic problem is that of achieving a form of local social and economic organization which will so combine natural resources (good or bad) with human and capital resources as to enable those families who remain in agriculture to earn incomes fully comparable with those earned in equivalent nonfarm occupations. Thus, the economic problem of the Mississippi Delta is one of submarginal workers (at least in their present employment) rather than submarginal land. In areas of poorer soil and topography, the present use of land may be submarginal, but this is likely to be more largely a consequence rather than a cause of the community's generally low level of family incomes. Thus, in many of the hillier areas of the South, a sufficient reduction of the number of families attempting to earn a living from agriculture—if accompanied by farm enlargement and improvement and a shift (say) from intensive cash crops to more extensive grassland farming—would make possible wholly satisfactory family incomes for those relatively few farmers who remain behind. Only in certain low-income mountain areas is the land likely to be submarginal in all agricultural uses, in which case their near depopulation and their conversion to State or National forests may represent the optimum land use.

Thus, while differing in the quality of their natural resources, all low-income rural areas share in varying degrees the common problem of having far more people attempting to earn a decent living from agriculture than their local non-human resources can possibly support. They also generally lack adequate farm credit and capital resources so that, both in their small scale of operations and in their low ratio of capital to labor, most farming units cannot provide an adequate level of family living.

ADJUSTMENTS NEEDED TO HELP LOW-INCOME RURAL AREAS

In improving the economic status of low-income rural areas, adjustments of resources both within agriculture and between the farm and nonfarm sectors of the economy are clearly required. However, to a large extent, the adjustments of resources between agriculture and the rest of the economy are a prerequisite to needed resource adjustments within agriculture. Hence, I should like to consider the former types of adjustment first.

Outmigration of labor

For most low-income rural areas, a substantial rate of outmigration of the local population is nothing new. In the older parts of the Southeast, it has been almost a continuous phenomenon for more than a century. Earlier in our history, southern people moved in large numbers to better agricultural opportunities in the Midwest, Southwest, and Far West. After the turn of the present century, the direction of outmigration turned more and more toward the expanding industrial opportunities of the Northern States. To be sure, certain rural areas for a time experienced a substantial immigration as timber resources were brought under exploitation or as the extension of railroads opened up new coalfields. Too often, however, a temporary boom in such areas ultimately gave way to a depleted resource base and left a stranded population. More generally, the combination of continuing high birthrates and inadequate local nonfarm job opportunities has caused America's low-income rural communities to send a steady stream of people to the Nation's more prosperous regions. Under these circumstances, we should be thankful that the safety valve of outmigration was available to the citizens of low-income rural communities, since their economic straits would otherwise have been even more severe. In certain parts of the United States, notably the rural Great Plains, outmigration appears to have been on a sufficiently large scale to raise farm family incomes to a satisfactory level. However, there are as yet few low-income rural areas in the South whose rate of outmigration, though high, has been sufficient to result in adequate farm incomes for those families who have remained. One of the objectives of public policy, which has thus far made few contributions to assisting outmigrants, should be to facilitate this process of local population adjustment.

In this context, the political charge is often made that advocates of lower and more flexible price supports seek "to eliminate farmers." Such a charge is both negative and unfair. Such advocates usually recognize that, however high, price supports are an ineffective way of helping the low-income farmer who has so little to sell. For example, the small tobacco farmer's typical quota of 0.7 acre will at best produce a gross cash income of about \$700 and a net cash income of perhaps \$400-\$500. Thus, even as one of the more successful price-support programs, the tobacco program has failed to provide the small farmer with sufficient income to enjoy an American level of living. The objective of public policy should not be "to eliminate farmers." Rather, it should be to give low-income farmers the opportunity to eliminate themselves by helping them to find better nonfarm job alternatives which they may then voluntarily choose as a superior and preferable means of earning a more satisfactory family income.

Thus, it should become a major objective of public policy to facilitate the necessary process of outmigration from low-income areas. In the first instance, this will require a continuation of present sound monetary-fiscal policies, so vital in maintaining a stable and steadily expanding national economy and high levels of nonfarm employment. Under such favorable circumstances, a major part of the outmigration problem will be solved on a strictly voluntary individual basis. But other positive policies are still essential if the rate of outmigration is to be adequate.

First and foremost, there should be a substantial program of Federal grants-in-aid for public school education and for expanded public health services. During World War II, of all military draftees in the Southern States, 20-30 percent were rejected for mental or physical reasons and the rate was substantially higher (United States average 41 percent) for farmers. Such figures are a national disgrace for a country as rich as ours. I realize that some of the Southern States—which would have the strongest claim for Federal assistance to education—may oppose such because of the racial segregation issue. Nonetheless, because of its vital importance to raising the quality, vigor, and productivity of the South's human resources, such legislation should be passed by Congress even though some Southern States may choose to reject Federal assist-

ance. Those low-income States which are more foresighted would at least be permitted to extend the desired benefits to their citizenry, at the same time greatly benefiting the Nation at large. It appears certain that, as automation in industry proceeds apace, the educational requirements for industrial labor are rising rapidly. The South cannot afford to deny to its large rural population the opportunity to qualify for such relatively high-income employment. Nor, in the interest of national security, can the Nation tolerate so high a rate of mental and physical defects in its largest reservoir of military manpower, southern youth.

Second, Congress should increase considerably its appropriations for vocational training grants-in-aid to the States, with particular emphasis upon encouraging training in nonfarm vocations in rural high schools. During the fiscal year 1953-54, only 24 percent of Tennessee's State school funds for vocational education were used for vocational training other than agricultural and home economics. Of this 24 percent, more than half was allocated to Tennessee's 4 largest urban counties and, of the remainder, only 34 other counties out of 91 received as much as \$1,000 (an average of \$4,700) during the entire year. In general, the most rural counties received no funds for nonfarm vocational training, despite the fact that only 1 of every 2 or 3 high school students can possibly remain in agriculture without further deterioration of their farm-family incomes. Not only are substantial increases in Federal vocational education funds called for, but Congress should thoroughly reexamine its statutory formulas for allocating these funds between farm and nonfarm programs and insist upon breaking down the administrative compartmentalization of the two programs from Washington down to the local level.

Third, the facilities of the United States Employment Service should be improved and extended in the Nation's low-income rural areas. Among low-income rural people, there is a woeful lack of information about the location and terms of nonfarm job opportunities elsewhere. Thus far the Employment Service has been far less successful in serving the needs of the rural underemployed than in aiding urban workers. To be sure, the former is inherently more difficult to achieve. But it represents a vital need which should be met in low-income rural areas by more offices and personnel, less emphasis upon farm placement when better nonfarm alternatives exist, and by greater efforts to make the agency's present facilities more widely used.

This proposed combination of improved general education, nonfarm vocational training, and employment-information services should go far toward facilitating the higher rate of outmigration from low-income rural areas which is necessary if they are to find relief from their present low economic status.

Immigration of capital

As essential as outmigration of people from low-income rural areas is, it is easily overlooked that moving people out will rarely solve the local economic problem unless, at the same time, capital also moves in. For continuing rural areas, a reduction in the number of people seeking a living from agriculture is a necessary, but not sufficient, condition for reorganizing local farming on a higher productivity, higher income basis. To be sure, falling land values should follow, encouraging consolidation of present small operating units into farms of more economic size. But it will frequently also be necessary to change substantially the combination of farm products produced, with greater emphasis upon pasture and livestock, and to mechanize more of the farm operations. Tennessee's 21-year-old star farmer, Joe Moore (*Time*, October 24, 1955), has shown what can be done in one of the South's low-income farming areas after much of its surplus rural population had moved away. But such extensive farm reorganization takes great amounts of capital, particularly for such costly and time-consuming improvements as building up pastures and livestock herds and acquiring a proper complement of buildings and equipment. In low-income rural areas, intermediate-term farm credit for such uses is virtually unavailable from any source.

What is needed is a broad-scale attack on the farm credit problem in low-income rural areas. The Federal Reserve banks should promote to the fullest possible extent the participation of commercial banks in local agricultural development and their wider employment of agricultural agents in supervising the use of the credit they extend for farm reorganization and improvement. The agencies of the Farm Credit Administration should develop intermediate-term types of credit and do more to meet the other credit needs of small farmers in low-income rural areas. There should also be a substantial increase in the resources of the Farmers Home Administration, with special emphasis upon its supervised intermediate-term farm improvement loans to promising farmers who lack access to

private sources of farm credit. Finally, the agricultural experiment stations and extension services should devote much more of their resources to facilitating farm enlargement, reorganization, and diversification and establishing standards of performance to assist credit agencies in seeing that the limited supply of farm credit is put to its most effective use in low-income rural communities. Unless these things are done, the result will be abandoned farmland, social disorganization, and (as the selective process of outmigration takes its qualitative toll) stranded and isolated farm people.

Industrialization

At best, the human and social costs of outmigration are great and the achievement of a sufficient rate of outmigration of people and immigration of capital extremely difficult. Hence, insofar as it is feasible, industrialization of low-income rural areas is highly desirable. Of course, in some instances such areas lack the local resources, the transportation and power facilities, and the public services which are prerequisites to industrial development. However, where the local facilities do meet the needs of some types of manufacturing, industrialization should be encouraged. As compared with other alternatives, industrial-urban development of rural areas greatly speeds readjustments in the direction of higher productivity and higher family incomes for agriculture. First, because it is much easier to get underemployed farm people to change occupations without changing residence, local nonfarm job opportunities have a far more immediate and marked effect upon local incomes than do distant opportunities. Second, the drain on local community capital which accompanies outmigration is avoided. Third, industrialization usually involves an influx of nonagricultural capital which increases local banking and credit resources and personal savings. Hence, local financial institutions become more adequate to the need for local economic development and, in the process, more willing and able to provide the local agriculture with much-needed capital resources. The nearby farm operator, forced by rising local nonfarm wage rates to use his labor more efficiently, can thereby find the capital required for reorganizing his farm business on a higher productivity basis.

Fourth, with the growth of a local industrial-urban center, additional nonfarm jobs are generated in the service industries. Thus, with new markets created for locally produced farm products, local business leadership has new incentives to establish and extend farm marketing and processing facilities and to develop sources of supply by providing local farmers with the capital and know-how to shift to new and more profitable lines of production. Furthermore, with improved local markets for consumer and farm-production goods, local farmers are likely to gain by the availability of a wider range of goods and services, provided on a more efficient and more competitive basis and with more adequate informational and credit facilities. Finally, with greater concentration of population and rising per capita incomes, such developing communities can supply much improved public services, which raise nearby rural levels of living, improve the quality of agriculture's human resources, and stimulate further economic development.

Of course, given the industrialization of a low-income rural area, many of its farms may remain small (rather than being consolidated) because their occupants now combine farming with off-farm employment. But there can be little objection to the development of such part-time farms so long as all of the family's economic activities combined produce a satisfactory total income. In fact, part-time farms have the advantage of providing a pleasant and healthful way of life and a modicum of security against industrial employment and old age. Nearly one-third of all farms were already part time or residential in 1949, and there is no reason to suppose that this trend will not (or should not) continue as industry penetrates into more and more rural areas.

Thus, in many instances, industrial development of densely populated rural areas may pay off in higher family levels of living. Such a process is by no means merely or primarily a matter of interregional competition—of moving given plants from one area to another. First, even low-wage industries, which are no longer attractive to most workers outside of rural areas, may be a boon to workers whose only alternative local employment is in a near-subsistence agriculture. Second, as better local nonfarm employment opportunities develop, low-income farm families offer a significant new market for the farm-production goods and consumer goods produced in other regions.

For all of these reasons, public encouragement and assistance in the industrialization of low-income rural areas would appear to be desirable when the local resources are appropriate.

First, the activities of State industrial development commissions and of Federal agencies dealing with community and area development need to be improved and expanded considerably. Through these public services, rural communities with much underemployment can be assisted in appraising their local resources, in determining the types of industries for which they are best suited, and in sound and farsighted techniques for attracting and holding such industries. At the same time, public agencies can serve as clearinghouses of information which will help industrialists to find satisfactory plant locations in such communities.

Second, the present uncertainties about the future of the Tennessee Valley Authority should be ended in such a way that, above all, the Southeast may be assured that its future total power supply will keep full pace with its industrialization needs. Although I personally believe that the South's low economic status warrants some Federal subsidization of its power rates, the South can still survive and grow without such power subsidies, provided its total power supply (whether public or private) continues to expand apace. But it will wither on the vine if Congress refuses to enable the TVA to expand its power output and, at the same time, fails to create conditions which will encourage alternative sources of power to fill the vacuum satisfactorily. In current controversies about public versus private power and the extent of power subsidies, the South can afford to accept political compromise but stalemate might prove disastrous.

Third, the Department of Labor's designation of labor-surplus market areas needs to be broadened considerably to include those communities characterized by rural underemployment, not only those (as now) experiencing current industrial unemployment. If such rural communities could be identified and their hidden labor surplus brought out in the open, they would discourage complacency about our present statistically full-employment situation and might encourage industrialists to locate more plants in low-income rural areas.

Finally, any further increase in the national minimum wage should be avoided in the near future. Low-income rural areas have little to gain and much to lose from a higher minimum wage. Even if a rise in the minimum wage does not result in unemployment for some already-employed Southern nonfarm workers, it will probably impede further expansion of local nonfarm employment when there is a crying need for such expansion. At the present minimum wage of \$1, most low-income farm people would be glad to work in a local industry as an alternative (or perhaps in combination with) the 25 to 30 cents an hour they are now earning in agriculture. Insofar as a still higher minimum wage might limit the creation of additional nonfarm job opportunities, I believe that the losses of low-income farm people would far more than outweigh any possible gains for those Southern people already employed in covered industries.

Senator SPARKMAN. Thank you very much. All of the papers have been most helpful.

Senator FLANDERS, do you have some questions to ask this panel before they get to questioning each other?

Senator FLANDERS. That might be the most interesting thing we could possibly do at the present moment. I unfortunately was a bit late.

I have been interested in some of the things that I have heard here and that I have seen with regard to the origin of these low-income rural areas. I forget which one of you gentlemen was who said that it had always been that way. Was that you, Mr. Black?

Mr. BLACK. Yes.

Senator FLANDERS. And the rest of the country had grown away from them. Do any of you disagree with that statement?

I also noticed what seems to be a general reference to the South. I think it was about 6 years ago when Professor Schultz was here. I remember that he classified a fairly large area as characterized by low-income farm groups. As I remember, he placed it even through parts of Iowa and Missouri and southern Illinois, and parts of Ohio,

and then down through the Alleghenies, into the more or less barren regions of the South, so that I gathered from that a picture that Professor Schultz gave—I am trying to make it clear—

Senator SPARKMAN. I just want to be sure you didn't generalize that statement.

Senator FLANDERS. What I am trying to do for you, Mr. Chairman, is to indicate that our problem is general; this problem is not confined just to your area. I hope you will appreciate my efforts on your part.

Senator SPARKMAN. I always do.

Senator FLANDERS. I may say that there are substandard areas in my own State, and they perhaps are to be found in locations analogous to the Mountain States of the southern Alleghenies. The valleys which run up into the Green Mountains have low-income groups at the head of every one of them. There never was and never could be any high-income farming done in most of those places. Some of them, however, had more prosperous times when they were cutting off the timber. To some extent families have fallen onto depressed times because they stayed after the timber went.

I have here one of our earlier reports. I take back what I said about Vermont.

Senator SPARKMAN. That is our present report. I am just bringing you up to date.

Senator FLANDERS. All right. I don't know to what extent, in other parts of the country, there is the cumulative result of disappearing opportunities, such as that of lumber in parts of northern New England.

I am raising no questions at this point, Mr. Chairman. I would be glad to pass the questioning to you.

Senator SPARKMAN. You may have raised a good many questions. I wondered if anyone wanted to comment on them?

Mr. BLACK. I think Senator Flanders is entirely right, that there are spots of low income all over the United States. This south central part of Iowa, along in that area, there are cutover regions that belong in that area. Certainly the largest low-income area in New England is in Maine, the farm-forest margin, where agriculture is still retreating, and the process which set in in New England went down the mountains and it hasn't entirely retrieved the situation in some of Pennsylvania, as appears on that map, and even in the better areas it is a matter of percentage. There are some low-income families nearly everywhere. It is just, in some parts of the South—I was in Virginia this morning, and there are all but 7,500 farms in Virginia in low income.

Senator FLANDERS. I like to talk about my State. There is one other State in the Union whose inhabitants like to talk about it. I won't mention it. I will just mention my own. We have passed through a series of crises in New England, particularly in Vermont. The first crisis was when sheep raising declined following the end of the Civil War and the building of the Union Pacific Railroad. Sheep raising went west to Wyoming and other Western States and our income then came from cutting off the forests and, as that began to diminish, we picked dairying, so we have had those three cycles: First, general pioneering in the pioneer stage, then sheep raising, and then

cutting off the forests, and finally the dairying. What will come next, I don't know. I hope the dairying will last for some time to come, and I am glad, Mr. Black, that I am provided with a manual which I hope will assist in perpetuating our chief agricultural industry.

Senator SPARKMAN. A few minutes ago, Senator Flanders, we were referring to the size of the low-income groups in these various areas. He mentioned "down into the barren land of the South." I said not to generalize too much. What I really meant was, it is not limited to those barren lands. For instance, in the Tennessee Valley, there are some of the richest lands we have ever found. We have a serious problem in low-income families. The chart shown in our staff study on page 196, which shows where the low-income farm groups are, illustrates that. Here is the same study in colors. You can see (in red) where the serious areas are, so apparently it is not due to fertility of soil. I believe one of you said that. But here is one question I would like to throw out.

Mr. Black, I think you were the one that inspired me to ask this question when you said something about using 3,000 pounds of fertilizer to an acre of potatoes.

Mr. BLACK. In Maine.

Senator SPARKMAN. When I was growing up as a boy we thought 200, 300, and 400 was the absolute maximum of fertilizer to an acre, using 10-2-2, or 10-2-4. If we went beyond that, we were almost certain to burn up the crops. I know we have developed a much more intensified fertilization, but isn't there a limit as to the amount of fertilizer you can use?

Mr. BLACK. Yes; there is.

Senator SPARKMAN. Of course, it comes as a result of careful experimentation and study?

Mr. BLACK. Yes.

Senator FLANDERS. And also as a result of price support for potatoes.

Senator SPARKMAN. In order to support the purchase of extra fertilizer. But here is what I am really leading up to: nearly everyone, both this afternoon and this morning, referred to the necessity of increasing the size of family farms. I think that is certainly a problem. I know it is a problem down in our area and in many areas of the country, where there are too many small farms, but the time is coming when we are going to have to farm small farms, if we are going to be able to feed the people of the country. That is, the increasing population, I think, is going to cut down the acreage per person, and if we step up the intensity of cultivation, as you tell in that acre of potatoes, might not this be the answer, rather than actually adding acres to the farmland?

Mr. BLACK. I think it is going to take both.

Senator SPARKMAN. And I suppose, may I add, it will depend upon the type of agriculture the particular farmer is engaged in?

Mr. BLACK. I think that—I have just taken part in an analysis that projects somewhere between 3.8 million and 4 million farms in this country in 1975, with about 5 million workers employed on the land, compared with 6½ million now.

I think we will still have family farms. I am not worrying about corporation farms at all. We may get a few more of them, but family

farms will persist. They will get larger. They will be more mechanized. Measuring farms in terms of acres is a little unsatisfactory. Output is a better measure. Increased intensity will give you larger output on the same acres. It will be a much bigger farm but not in acres, except as with more mechanization, the same work force can take care of more acres.

Senator FLANDERS. There is, I suppose, Mr. Black, a difference, and a place for the difference, between extensive and intensive farming, as well as a place for each.

Mr. BLACK. Yes. We are still going to have a place for tobacco farming, and I don't think you are going to be able to go too far in mechanizing that. Cotton farming, my prediction is that 25 years from now, in spite of all you may do in the way of price supports, it will largely be restricted to mechanized cotton growing and the lands that lend themselves to it and the old Cotton Belts and the old sections of the South, where they grow cotton by hand, will be doing something else.

Senator SPARKMAN. Why do you think they do not lend themselves to mechanization?

Mr. BLACK. What?

Senator SPARKMAN. Why do you think those lands do not lend themselves to mechanization?

Mr. BLACK. I think they will limit themselves to more mechanization, but the topography of the sand hill regions in northern Mississippi and Arkansas, and so forth, doesn't lend itself to mechanization too well. The fields are too small and that sort of thing.

Senator SPARKMAN. I can show you a field in my county that has got roads in it 12 miles long.

Mr. BLACK. I am aware that Arkansas and Mississippi have them.

Senator SPARKMAN. Of course, that happens to be an isolated case, but I have in mind another farm down in my section—I don't know the size of it, but it is probably a couple of hundred acres—that averaged $2\frac{1}{2}$ bales to the acre this year.

Mr. BLACK. That is where cotton will be grown 25 years from now.

Senator SPARKMAN. I thought perhaps you meant to make an exception. In other words, it would pull it out of the uplands, the hilly land, and pull it into the lower-level lands, which we sometimes call submarginal lands. I noticed somebody objected to the use of that term. Is it you?

Mr. BLACK. No.

Senator SPARKMAN. Take it out of what we sometimes call the marginal lands and cause conversion of those lands to other types of use—tree farming, growing of grasses, grains, et cetera. Is that your idea?

Mr. BLACK. Yes; I would say as we go forward, food derived from animal sources will be a larger part of our diet and with the growing population along with it, we will need a lot of that land for pasture and grazing and the productivity per acre under the technology we now know can be raised on that land tremendously and will support a large population of cattle.

Senator SPARKMAN. I would like to ask this question, or throw this question out to all of you. All of you have given pretty much the same suggestions to things that need to be done and I think we all give it

pretty much the same emphasis. This morning, if you were in here, there was reference to a comparison made at the request of the joint committee, by the Library of Congress, of the recommendations that our committee made 4 years ago (this same subcommittee); a bill that I introduced at the beginning of this year, and the recommendation that the President sent up on April 27; it showed how closely they paralleled. They all had the same recommendations. They just differed in degree or method of carrying it out. The same thing has been true of this panel in this afternoon's meeting and the one this morning. If you have to give priority to any one particular thing to be done; what would it be? What would you say, Mr. Bishop?

Mr. BISHOP. Full employment in the Nation at large.

Senator SPARKMAN. That is what this committee was set up for.

Senator FLANDERS. That is the best remedy for agricultural unemployment.

Senator SPARKMAN. In other words, if restricted to farmers, it is getting full use of the farm population in employment.

Mr. BISHOP. That is right. As I pointed out earlier, the policy which should receive top priority is an expansion in nonfarm employment, that is maintaining nonfarm employment at a high level. This, however, as we have seen from the last 15 years, by itself has not been sufficient, in spite of the fact we have had a large outmigration of people from low-income areas. We know from our research that many people on low-income farms simply do not know that Government employment offices exist.

Senator SPARKMAN. I noticed you had that in your statement.

Mr. BISHOP. We noted in the southern Piedmont area of North Carolina in 1951 that only 2 percent of the low-income farm families had adult members who had gone in and investigated employment opportunities at the employment office. When we inquired of them as to whether they had been to the employment office, they had been to the mill office. They didn't know we had a Government employment office.

Mr. BLACK. I happen to be a little nervous over your way of stating this; also a remark which you made. You spoke of after these people move out, then we would develop the land that is left. I would say as they move out. We need to have a program of taking care of the agriculture and the land that is left behind at the same time they are moving out, and I am afraid that if we are not careful we will have the migration out of these areas at a rate which will depopulate and abandon to the trees quite a lot of land that ought to be kept in use, and we are going to want to have in use 25 years from now, so I think it is just as important that you develop a program of getting family farms of the sort that will yield a reasonably good income, to fill in as the industry draws the people out. The two need go hand in hand. There is an expression that we rural sociologists have used for a long time about push and pull. You pull people out of these areas by opportunities in the cities, but you also push them out. The cottonpicker is pushing them out. They leave because they can't get jobs.

I happened to be seated next to Mr. McCormick one night, several years ago, at the National Planning Association dinner, and I said, "How many cottonpickers are you expecting to manufacture next year?" He said, "A thousand." "How many are Allis-Chalmers and the rest expecting?" "About another thousand."

That year there had been a shortage of pickers, hand pickers to pick the cotton in the Delta and some other sections, and there was a tremendous drive put to get cottonpickers. I said, "How many cottonpickers does one machine replace?" And he said, "Thirty to forty."

Well now, as a matter of fact, it worked out so that if a thousand of these cottonpickers, mechanical cottonpickers had worked solely in the State of Mississippi, this coming year, there would be a surplus of cotton labor, so these two processes work together and I think we need to make them fit together.

Mr. LONG. I would like to second that comment by saying that certainly the recombination of farms needs to be coordinate with the outward movement of people; but to express further concern over the idea that the problem can be solved simply by full employment on a national basis. This is a prerequisite for solving the problem. But if we are focusing attention on the depressed areas rather than on people who leave the depressed areas, then, of course, we are still faced with the problem of those who remain behind. In the community I came from, which happened to be in the North, Senator Flanders, and in a low-income area, so there are some outside the South, every one left so there was no problem of the people remaining; but this is by no means a general situation. Unless there is an expansion of job opportunities near at hand and generations of economic growth in the areas themselves, what happens is a progressive deterioration of those areas in the face of general national expansion. We have defined the problem, all of us, the depressed areas problem, as certain areas getting out of step with the rest of the country; and they can get further out of step, and in that sense the problem becomes more intense, if the areas themselves do not undergo industrial and commercial expansion.

Mr. BLACK. Mr. Nicholls, of course, covers this by insistence on the importance of immigration of capital, at the same time that this out-migration of people takes place.

Senator SPARKMAN. Mr. Larson, what is your comment on that?

Mr. LARSON. On your basic question?

Senator SPARKMAN. Yes.

Mr. LARSON. Well, I think that I would like to reemphasize in terms of the long pull on this problem, the importance of young people, so that means that if we are going to break this cycle which we know we have seen in a great many families of several generations of poverty—you have to break the cycle on young people. I think the study we made in a New York community where we took all young people between ages of 16 and 25 and classified them broadly into three income groups, low, middle, and high, it was quite clear that the young people out of low-income families first of all had not gotten as much education as those in middle and high, and therefore were not prepared to do as highly qualified kinds of work nor to be as good farmers as those in middle and higher income families.

Secondly, their choices were much different than those in the families where they had an opportunity to get a higher education, and so you see this thing building up.

Another set of studies which we have made in New York State shows that the children in lower income families have about, they are getting only, say, a half to a third of the amount of medical care which the

middle and higher income families are getting. That includes the use of doctors, use of dentists, etc., so you have these things building up in the children and unless we can break that we are handicapping them to be really productive over a period of time, so I think that the measures which make it possible for the equality of educational opportunity in all parts of the country is one of the most important to really even this thing out, to get away from this concentration in a few areas.

Likewise, I think the measures which will help make it possible for people wherever they are to have an equal opportunity to take care of their health, so that they can do a full day's work when they get on the job, is very important.

Mr. BLACK. May I add here that this has important relation to this question of population and too large families. That is illustrated by this circumstance, that Dr. Roberts, formerly of the University of Chicago, who went to Puerto Rico, and has been helping out down there, made a study in which she found that the average number of children born, the fertility rate per woman of the childbearing age of rural women who had a third grade education or less was 7.4 children. For those that had better than a sixth grade education, it was 4.2. She repeated the study in the capital city of San Juan and women in San Juan with better than sixth grade education only had 2.2 children. That is what education did to size of families in these low-income areas.

Senator FLANDERS. Mr. Chairman, I would like to ask Mr. Black whether he has made a special population study?

Mr. BLACK. I have devoted a good deal of attention to it. I was quite some years ago, for a number of years, Chairman of Commission 1 of the International Population Union.

Senator FLANDERS. May I diverge for 3 minutes from the program of this committee? I am leaving tomorrow for the Far East, and one thing which puzzles me is the pressure of population on food supplies in India, and the lack of pressure of population on food in Burma, Siam, and the old Indochina. Why doesn't the population in those rice surplus countries press on food the same way it does in India?

Mr. BLACK. I am afraid I can't answer that question too well but—

Senator FLANDERS. Excuse me.

Senator SPARKMAN. I think it is a very interesting question.

Mr. BLACK. I might make some pertinent comments. First of all, these countries, other than India and China, you mentioned, still have large undeveloped resources. Burma this is particularly true of; in Indonesia partly true. In India, for a long time—and this is generally true of China, what determined the increase in population was the number of children per family, not that were born so much as they were kept alive. They died off. A woman in a family would have 6 children and 2 or 3 of them would live, just about enough to reproduce. The rest of them didn't get fed and taken care of well enough to stay alive, so that you tend under these Malthusian conditions, to have kind of a stable population, with pressure on the population just killing off enough and producing enough food to produce a stabilized situation.

Senator FLANDERS. What about Mr. Malthus' doctrine, as applied to in Siam and Burma?

Mr. BLACK. They have resources enough with modern technology, and so forth, so that more of these children can find employment. The death rates are high there, too, among them because they have disease, famine, and things of that sort, but not as high as under the strictly Malthusian conditions.

Senator FLANDERS. I don't see why they didn't develop over the course of millennium.

Mr. NICHOLLS. Perhaps the British Government's public-health programs in India might explain some of this.

Senator FLANDERS. I am trying to explain Burma and Siam. India is intelligible. Mr. Malthus told us all about India.

Mr. NICHOLLS. The death rates may have been lowered in India more than in these other countries, so the Indian population is at the present time more explosive because its birthrates are still high, but its death rates have been lowered.

Senator FLANDERS. You would feel the death rate—of course, that is subject to a matter of fact—that the death rate probably is higher in Burma and Siam?

Mr. NICHOLLS. That is what I am speculating. I don't know the facts.

Senator FLANDERS. When I get back I will tell you.

Senator SPARKMAN. Let me ask you this: Isn't this true, that as of the present—forgetting the birthrate and what may happen in the future in terms of population pressures—but as of the present isn't it true that the density of population is heavier in India than it is in these other countries, while the actual productivity of the soil is not as great?

Mr. BLACK. No; it isn't greater.

Senator SPARKMAN. The productivity of soil is not?

Mr. BLACK. Potentially it could be, but the yields of rice in India are one-third of what they are in Japan.

Senator SPARKMAN. I did not understand Japan to be included. I thought we said Siam, Burma, and Indochina.

Mr. BLACK. The soil of India isn't productive and fertile. It hasn't been farmed in such a way as to maintain any fertility. The cow manure is all burned, they don't use any commercial fertilizers.

Senator SPARKMAN. This is in India?

Mr. BLACK. Yes.

Senator SPARKMAN. That is what I said, that the productivity of the soil in India is not as great as it is in Siam and Burma.

Mr. BLACK. That is right. I didn't understand.

Senator SPARKMAN. And in Indochina. In other words, my impression, whether correct or not, is that, year in and year out, they get better production in those rice-surplus countries than they do in India. And—I am not sure that I am correct in this—I also have a feeling that the population per square mile is greater in India than it is in either of these three countries.

Senator FLANDERS. That is what Mr. Malthus would expect.

Senator SPARKMAN. That is what I guess. You check on that, will you?

Senator FLANDERS. I apologize for introducing this, but it just happens that that is one of the things about these regions which I am hoping to visit that I do not understand.

Senator SPARKMAN. I think it is a real problem. I think it is one that before too many years we are going to start studying about in this country.

Mr. BLACK. We are going to have one session of the American Economic Association program devoted to what we call a population specter.

Senator SPARKMAN. I think it is time.

Mr. BLACK. The specter part of it is this: With improved disease control and health measures, the birthrate remaining the same, and the death rate going down, you have—take Ceylon: The percentage increase in population now is about 2.7 per year, because they have controlled malaria, which was very serious there. It is a prime factor in it, and Ceylon is a plantation country, pretty well farmed—tea, rubber, sugarcane, and so forth. It just cannot go much further in expanding production and income. What is going to happen?

I might also remark, we are going to devote a session to the problem of minimum wages around the world, which was mentioned, and I hope Miss Bennett can be there to take part in it. The reason we are discussing it, and I brought it to the program, is that I have been in India and Pakistan in the last year, and the question of setting minimum wage standards, and the like, is having some disastrous effects in some of these countries.

You cannot have an industry coming in all at once in these countries. You are going to have a lot of small scale scattered industry around the country. If you set up a minimum wage, and enforce it, you will just prevent that industry from ever getting started.

The International Labor Office has a system of labor conventions, including wages, and some other things, which they are promoting on the whole fairly rationally, but you can find situations in which it is interfering with the very kind of development that we want.

Senator FLANDERS. Mr. Chairman, I don't know but what I ought to end this diversion by telling about my search for slums in Burlington, which is not very large, when I was a member of the Banking and Currency Committee in the largest city in Vermont.

Senator SPARKMAN. Also in the District of Columbia.

Senator FLANDERS. I was taken about Burlington by a man who was director of the Episcopal Church. He is now Canon Martin up at the Cathedral, and after looking at some of the distressing areas he showed me a big, a great big house, and frequently painted, white with green blinds, a well-kept lawn, and he says, "The man who lives in that house, a French Canadian, has 28 children by 1 wife and he raised them on fishworms." What he meant was, he had a bait business. That is an enormous family. Evidently he and his wife saw it through, or his wife did.

Senator SPARKMAN. Mr. Nicholls, we never did get around to your answer on that top priority.

Mr. NICHOLLS. Well, I think most economists would agree that full employment, continuous prosperity is an absolute prerequisite to a solution of this problem. Beyond that I hate to answer your question as to naming any priority, although I will name one. I think that I would put education No. 1, if you force me to name a single policy. I do think that this country is facing a genuine educational crisis, and I am very much concerned about it.

However, I would add that I think the more important thing is to recognize the complexity of the problem we are dealing with here and, therefore, to say that the actual necessity is that we proceed on a great many fronts at once, and that I do not think it makes too much sense to try to name priorities, since any one of them alone may not be sufficient, whereas the whole group of things at once may bring about a solution.

Senator SPARKMAN. I want to say I fully agree with you and everyone here, as a matter of fact, agrees we proceed on a rather broad front. I have been interested in some of the things that have been said here; for instance, Mr. Black talking about the change proposed for the planned cotton farmer, the little farmer, about his raising cows and grazing, and things of that kind. The thought immediately came into my mind, how is he going to make that change? There is nothing available to him today that will make it possible for him to make that change.

The small low-income farmer that we are thinking about is almost compelled to continue in production of cotton. He cannot get away from it unless we have some change, not only in educational work, which I think is highly important, and some kind of technical supervision to help him in making his change, but also in the field of credit, so I think that all of you nearly have grouped pretty much the same recommendations, and I think it is highly essential that we proceed on that broad front.

Senator FLANDERS. Mr. Chairman, I have noted in Mr. Nicholls' remarks—I think I have noted in some of the others—that the hen and the egg problem, of whether agriculture thrives on industry, or whether industry thrives on agriculture rather tends, it seems to me, in this panel, to take the position that agriculture thrives on industry. Of course, both of those are true. Yet among the Members of Congress who are strongest for price supports, the emphasis in their mind, as I listen to them on the floor, seems to be that the primary dependence is of industry on agriculture and not making so much of agriculture on industry.

Is that your impression as you listen to the debates on the Senate floor?

Senator SPARKMAN. I don't know whether I ever thought of it in that connection. I think certainly there is a real interdependence. I am not sure that I immediately would agree with what you said, that agriculture is dependent upon industry.

Senator FLANDERS. I haven't said it.

Senator SPARKMAN. I thought you implied that agriculture is dependent upon agriculture. I think there is an interdependence.

Senator FLANDERS. I agree with you. I said I think there has been a tendency depending on which side you are on to make that the major influence. I was interested that these men who are concerned with agriculture seem to put just a shade of dependence on industry as the major influence. Perhaps, however, they are putting it only with reference to these submarginal or substandard agricultural areas. I think perhaps that is the point.

Senator SPARKMAN. And the absorption of the surplus farm labor?

Senator FLANDERS. Yes; absorption of surplus farm labor so that

perhaps in that area perhaps the position is unassailable and does not get into the hen-and-egg problem.

Mr. NICHOLLS. I might say, however, that, in historical perspective, this shows how well developed an economy the American economy is. I know, when I was in Turkey in 1950, they had had a very poor cereal crop in the previous year and the national income dropped very substantially because agriculture composed 75 percent of the employment, and about 48 percent of the national income. This illustrates that, in a country that is so very largely dependent on agriculture, the causation may run very largely from agriculture into industry. On the other hand, in a country as advanced as we are, I would say the bulk of the causation runs from industry to agriculture, although obviously there is interdependence.

Mr. BISHOP. It seems to me that there is one point we certainly want to make. If we try to treat agriculture apart from industry, or industry apart from agriculture, we fool ourselves.

As you pointed out this morning, Senator Sparkman, there is a need for systematic farm planning. Our research at North Carolina indicates, for example, that in making this transition you were speaking about a moment ago, from a cotton type economy to a live stock economy, farmers could receive large returns from additional investment. From about \$4,500 additional investment, farmers on a typical low production farm could expect an annual net return of about 52 cents per dollar invested. This is a phenomenal return. This return decreases as additional capital is invested, but up until about a three-fold increase you still have a large return, using the method of planning that Professor Black was speaking about earlier.

Mr. BLACK. I might remark that I don't think there was any conflict between your statement, Mr. Long, and mine, about whether we can go ahead and develop agriculture in these areas without precipitating a decline in prices that will wipe out all the gains. I don't think there is any danger of our being able to push this fast enough in the next 5 years so that it will have any particular effect. From that point on we are going to have an expanding population and a need for taking care of the situation, and where are we going to have this expansion of agriculture? Are we going to have it in the prosperous areas? Are we going to step in and help it take care of itself, and make the necessary readjustments in these low-income areas? I think we are rich enough. You talk about helping the rest of the world. Why not help our similar people here?

I think you agree with me on this, don't you, Mr. Long?

Mr. LONG. Yes, indeed.

Senator FLANDERS. Mr. Chairman, the point I was trying to make this morning, that with the low dollar earning group of farmers there might be an opportunity for having a very much better subsistence program—farm production for home use—than many of them have at the present time.

Now, increasing the farm crop on a subsistence basis will not depress prices to any great extent, as compared with expanding the extensive agriculture, I would suppose, because that would be largely absorbed in a rising standard of living for the family itself?

Mr. LARSON. Mr. Chairman, I would like to make this point, which is not in disagreement with anything that has been said with respect to the relative role of industry and agriculture, but simply this fact:

That we were talking about the role of industry. We are talking to some extent about the overall general measures to which the people in the low-income areas respond, and I think that is extremely important, but beyond that I think that we have to remember that there is probably a hard core group of these very low-income families who are not going to respond to these general measures, and for that group we are going to have a more concentrated, more direct program if we are really serious about doing anything to help them.

Senator SPARKMAN. I am glad you brought that up. That was a point I was trying to make this morning, that we could talk about all of these problems of research and experimentations, a general program which a person has to absorb, then take and apply on his own initiative. Your high-income bracket—the type you speak of, the higher-income farmer, will do that on his own, but to people that are embraced in these low-income brackets, a great many of these families are not willing to do that on their own initiative. That is the reason I was talking about “supervised programs,” in quotation marks, again, for that type of family.

I don't mean for all of them at all, but there is a group that will never be able to pull out unless they do have that, and I have seen many of them go through that supervision under the old Farm Security Administration, which was succeeded by the Farmers Home Administration, and graduate into these higher levels of income and be the type that were independent and could act on their own volition. I know it can be done.

Mr. LONG. On this point made by Dr. Black, I would like to clarify this way, that my comment on the inability to solve this problem by working on the farm problem alone was merely to emphasize the fact that you could not do it for all the people who now constitute the so-called low-income farm problem. For the bulk of them other alternatives have to be opened up. I would submit the closer to them, areawise, those industrial expansions could take place, the more smoothly would this adjustment take place.

One problem that everyone has mentioned is the matter of education, and our research has certainly underscored everything that has been said here, up through and including the population-control problem; for every year you add to the mother's education in our State, we find that it reduces by about one-sixth the number of children she would have. In other words, it takes 8 women with seventh-grade education to have as many children as 9 women with an eighth-grade education.

Senator SPARKMAN. Didn't someone bring out the fact, one of you, this afternoon, or one of our panelists this morning, that as a result, industry in America was being kept up by workers who were coming from that type of family?

Mr. LONG. That is right. This is exactly the point, industry is being kept alive by this type of family, and yet our educational services in depressed areas, in addition to being rather below the national average in terms of the number of years, and so forth—and this point has been brought up before—that education has pointed toward an agricultural vocation to a large extent. Vocational agriculture dominates vocational training, and yet only a relatively few of those people will go into agriculture. The 4-H Clubs, which I cherish

my experience with very highly, nonetheless most of those graduates, so to speak, from the 4-H Clubs, will end up outside of agriculture. There is virtually no nonagricultural vocational orientation in our education system, a point which I believe Mr. Nicholls made, in these rural areas.

I think this is a point which must be given very sober consideration.

Senator SPARKMAN. Dr. Ensley—excuse me, Miss Snyder, do you have any questions to ask?

Miss SNYDER. Yes, Mr. Chairman.

I would like to ask Mr. Long a question. I noticed, Mr. Long, on going through your full statement that you said that some areas, such as in eastern Wisconsin, farm people receiving the best education were those who are the poorest farmers; is that correct?

Mr. LONG. Yes. That happens to be correct. One of the reasons it is hard to generalize about the relationship between income and education. In some areas the people put such a high premium on land ownership, that the families will pass a farm intact to the oldest son at the expense of the education of all the other members of the family. This happens to be true in eastern Wisconsin, German culture; but as the general rule, I think, that is not true. That is the way it works out there. They treasure land ownership, in other words, so much that they save all their lives to be able to pass a good farm to their eldest child, and the rest of them are not educated.

In that particular State there is an inverse relation between the level of income and the level of education of the children.

Senator SPARKMAN. Dr. Ensley?

Dr. ENSLEY. I was very much interested in Dr. Long's statement with respect to the cost of rearing youth in depressed rural areas for export.

Could you relate this problem to the need for Federal aid for education on some kind of an equalization basis? I assume that these backward and distressed areas are the least able to provide education, and if the product that they develop leaves, it seems it is a double shock to that particular region.

Mr. LONG. I think the argument speaks for itself in this respect: That first these are areas where educational levels are low; secondly, these are areas that put a larger than normal proportion of their resources into education; and, thirdly, other areas benefit to a large extent from the amount these depressed areas do put into education, so I think one can see the problem in that way.

Mr. ENSLEY. Professor Larson, would you comment on this problem from the standpoint of one coming from a more wealthy State?

Mr. LARSON. I am looking at this from a national point of view. I think the answer is very clear cut, that these areas of surplus youth have the least ability to support them, the rest of the Nation has a stake in seeing that they have an education and, therefore, from a longtime basic national point of view it is desirable that the low-income areas have some help in seeing that their children get an adequate training to prepare them to be most productively employed. I think the savings in the long run, in terms of contribution to the national wealth, savings in terms of welfare load, etc., would make it a paying investment.

Mr. ENSLEY. Would the others on the panel like to comment on that particular question?

Mr. BLACK. I would simply make it even stronger. I think it is highly sound, to simply impose on our cities of this country some of cost of educating and educating properly that share of their future citizens who are going to be supplied from these sources. They can't afford not, on the other hand, not to have them come to them in proper health and proper education, and so forth.

Senator SPARKMAN. That is the strongest argument there is for Federal aid for an education program, is it not?

Mr. BLACK. Yes; of course, this is even broader than that. What would New York City be like if it were an island isolated by itself? It draws on the whole rest of the country as the hinterland, and it has a right to be taxed for necessary proper development of the hinterlands. New York State once had a commissioner of education who was able to insist on that, but I do not know where he would get today with it.

Mr. ENSLEY. Thank you very much.

Senator SPARKMAN. I want to express my appreciation for the attendance of all of you gentlemen. You have made a very real contribution. This has been one of the best discussions that we have had. I want to thank each one of you.

I have some additional statements that have been received from the following persons who were invited to send in statements:

Wayland J. Hayes, professor of sociology, Vanderbilt University; Walter C. McKain, Jr., professor of rural sociology, University of Connecticut; Clyde Mitchell, professor of agricultural economics, University of Nebraska; Lowry Nelson, professor of sociology, University of Minnesota; James G. Patton, president, National Farmers Union, Denver, Colo.; Matt Triggs, assistant legislative director, American Farm Bureau Federation; Frank Welch, dean, School of Agriculture, University of Kentucky.

Their statements will be placed in the record at this point.
(The statements referred to are as follows:)

REHABILITATION OF DEPRESSED RURAL AREAS

Wayland J. Hayes, department of sociology, Vanderbilt University

In a number of rural areas in the United States a series of relationships exist which seem to operate in a sort of chain or circular fashion to perpetuate themselves. The series may be expressed as follows: (1) Relatively large families, continually expanded through high birthrates; (2) concentrated in certain general areas; (3) living as owners, tenants, or sharecroppers; (4) on small farms, often with poor and eroded soils, and hilly ground; (5) with inadequate capital and limited, if any, credit on difficult terms; (6) with inadequate tools and equipment; (7) using inefficient methods and poor management; (8) underemployed much time and unemployed part-time; (9) produce very little income of any kind; (10) obtain the lowest levels of food, clothing, and housing; (11) maintain low levels of physical energy attested by frequent sickness and varied forms of chronic illness; (12) are uneducated, often functionally illiterate, and subject to control by folklore and superstition; (13) with very limited incentives, little hope, and often seem unresponsive to opportunities made available; (14) relatively immobile, clinging to habitat and way of life, with outmigration little, if any, more than natural increase; (15) sometimes, perhaps compensating, given to excessive and ecstatic behavior and sadistic episodes.

Another set of relationships which seem to lie outside of the low-income families themselves should be mentioned because they are so closely connected that any trigger of the future might be operated from them. These are concerned with the ways low-income families are often regarded and treated by upper-income families and various representatives of institutions and agencies. In the minds of many upper-scale farmers, businessmen, and professional persons, their fellow

citizens in the low-income category are frequently lumped together as a type and sometimes even referred to by such various epithets as "hillbilly," "cracker," and the like. They may be thought of as (1) dependent and incompetent; (2) inert and difficult, if not impossible to change; (3) a useful pool of unskilled labor to be given certain routine jobs and called in full force at crucial periods of planting, cultivating, and harvesting crops or occasional off-farm construction work within commuting distance; and (4) a potential body of voters easy to control by prejudicial appeals, intimidation, or small bribes.

Thousands of persons in the low-income category who are unorganized and unaware of their potential combined voting strength are also unaware of the resources and services to which they may be entitled. Yet, they must depend upon the least competent teachers, preachers, and officials for what guidance they may get. And, in fairness, it must be added such paid personnel have utterly inadequate facilities at their disposal. Parenthetically, it may be suggestive to note that in many development contests among communities, lower-income families are not included in the judging and counting because the low scores they would make on "attendance," "participation," and "improvement" would endanger community chances of winning rewards.

Recent studies¹ have pointed to heavy concentrations of low-income families in certain general areas, especially in the southern regions of the United States—the Appalachian Mountains, the Cumberlands, the Piedmont, the southeastern hilly lands, sandy coastal plains, and the Mississippi Delta. The extent or magnitude of rural poverty is sometimes expressed in terms of hundreds of counties, hundreds of thousands of families, and millions of people—some three or four million persons in the low-income category dwell in the depressed farm areas of the South alone. Investigations also show that the number of small commercial farms have declined since 1930; but they still comprise more than 40 percent of commercial farms, as they did in 1930. Although exact comparisons between recent and earlier studies would require considerable adjustment, it is significant to observe that writers two or more decades ago found about the same state of depression in about the same areas as appears currently.² This relatively continuous state of rural poverty in particular areas has suggested the analogy with similar low-income areas within cities known commonly as slums. Some research indicates that migrants from low-income rural areas frequently move first to this urban counterpart. The point is that a more or less chronic condition has persisted for many decades. Because of the low economic production, general state of ignorance, widespread illness and disease, low levels of living, and high fertility of so many people, national attention has been drawn to the waste, loss, and misery involved. Some thought and effort has been given to the possibility not only of alleviating the conditions but possibly remedying them.

STATING THE PROBLEMS OF DEPRESSED AREAS

Stating the essential and basic nature of the problems of depressed rural areas is not very difficult. There is pretty general agreement that too many people, without even the necessary knowledge and/or capital to maximize present potentialities, are attempting to make a living on land that is too limited in size and productivity to justify commercial operation and the application of modern machinery. Furthermore, these relationships have continued over such a long period of time as to become practically an established system. People's habits and attitudes have tended to become somewhat fixed or taken for granted, and therefore, quite difficult to change under ordinary conditions.

¹ W. H. Nicholls, *Low-Income Farm Families and Economic Progress*, hearings on the January 1955 Economic Report of the President; R. L. Mighell, *American Agriculture. Its Structure and Place in the Economy* (New York: Wiley), 1955; and *Development of Agriculture's Human Resources: A Report on Problems of Low-Income Farmers*, U. S. Department of Agriculture, 1955.

² Rupert B. Vance has referred to the "persistence over generations" of regional inequalities. He and other writers published books in the thirties at Chapel Hill under the University of North Carolina Press which described areas which did not require a general depression to become depressed. See Rupert B. Vance, *Human Geography of the South* (1932); Howard W. Odum, *Southern Regions of the United States* (1936); H. C. Nixon, *Forty Acres and Steel Mules* (1938). Also, Carter Goodrich and others, *Migration and Economic Opportunity* (Philadelphia, University of Pennsylvania Press, 1936) and W. P. A. Reports by A. R. Magnus, *Rural Regions of the United States* (1940); T. J. Woofter, Jr., *Landlord and Tenant on the Cotton Plantation* (1938); and Bruce L. Melvin and Elina N. Smith, *Rural Youth: Their Situation and Prospects* (1938).

NECESSARY GOALS FOR IMPROVEMENT

There is pretty general agreement concerning the goals which must be attained if any significant change in relationships is to be brought about. Since much of the land is not sufficiently productive, nor susceptible of becoming so, to support a higher level of living for the present population, ways must be found for reducing the ratio of population to land. Since much land in the depressed agricultural areas now used in commercial farming is definitely unsuited for such use, it must be transferred to other uses such as forestry, parks, etc., if maximum return is to be gained. Furthermore, since many of the present farm units are too small to justify the application of modern machinery and technology, ways must be found to organize or consolidate larger units for efficient production. Since most of the farm families in the low-income category have not had the amount and kind of education to fit them for intelligent migration and employment away from farms nor optimum adjustment to farming itself, ways must be found to provide education needed for these ends. Since low-income families often not only lack but appear not to want the kinds and amounts of consumption goods, the levels of education, the state of physical well-being, recreational outlets, and various social services demanded and enjoyed by others, ways must be found to raise their aspirations and standards if general improvement policies are translated into achievement.

MEANS OF OBTAINING DESIRED ENDS

Thus, the problems seem clear enough, and there is a fair amount of agreement about what needs to be accomplished if the situation found in depressed rural areas is to be improved. But the means of achieving the desired ends are quite uncertain. Many procedures have been proposed and a few measures are being tried. Some current proposals, if applied, might work toward the achievement of one of the desired ends and at the same time operate in such a way as to defeat others. For instance, the mere improvement of credit arrangements might reinforce the strong tendency to cling to the land without producing a significant change in methods, efficiency, or prospect of reducing ratio of population to land. But if employment services were set up as a means of helping many persons find off-farm jobs and credit were provided for enlarging farm holdings on condition that improvement in methods of production and management were applied, there would be some prospect of moving toward combined goals. Furthermore, if the coordination of means suggested in the last sentence were further coordinated with vocational training in trades and services, the whole set of aims would be further advanced. The point is that a series of separate recommendations for procedure is not enough. There must be a coordination of means in such fashion that they combine to improve the situation as a whole rather than the application of this or that program under expert guidance from many separate agencies. This is a large order even if current proposals and actual practices were coordinated. But there are several basic questions which must be answered before the most promising coordination of means can be undertaken. It may be well to list many of the recommendations which have been made in connection with the problems of improving social and economic condition in depressed areas, and also state some of the things which are now being attempted. This should open the way for a brief outline of some changes which may appear desirable, and suggest lines of research and experimentation which may claim prior attention.

SOME RECOMMENDED COURSES OF ACTION

There are two points on which there is widespread agreement concerning what has to be done if much improvement is to be realized.

Improving and financing education

First, the level of education must be raised and the content of education must be far better adapted to people's interests and needs. Second, people in the depressed areas are too poor to provide the education essential to their liberation, and so are the States in which they are located. Federal appropriations for educational development would, from one point of view, seem as essential as disaster relief. But representatives from States which would benefit

most from added educational funds have helped to defeat such measures in the past on grounds of fearing Federal control. At any rate, there is genuine need for enough increased basic education to make it possible, as stated by the late Senator Taft, "that every child is educated at least to the point of being able to know what his opportunities are." Furthermore, if young people are to enter the labor market with maximum competitive chances, they need job orientation and guidance as well as training in skills and concepts applicable to a wide variety of jobs—diversity in vocational training rather than limitation to vocational agriculture and domestic arts.

Employment services made accessible and publicized

At this point it is well to state that employment services through which rural youth may learn what job opportunities exist and be helped to find placement need to be set up at readily accessible locations. It has been estimated that at least half of the farm youth in some depressed areas will need full- or part-time employment away from farms during the next decade if population is not to increase beyond replacement of present numbers. Rural people are so unaccustomed to such services that they need to be informed concerning their nature and availability as well as about the various kinds of workers which may be wanted near or far away. It has been suggested that the rural press be encouraged to publicize such information.

Assisting families to move

Coupled with this whole matter of assisting people to find nonfarm employment, it is suggested that grants or loans might be provided to assist farm families to move. Many farm families are unable to accumulate enough reserves to finance movement to another place.

Improving health instruction

In addition to the provision of basic and vocational education as well as establishing channels for job placement, some basic health instruction is needed. If a choice had to be made, it would be difficult to decide which need would come first. If the low state of physical energy, frequent sickness, chronic illness, and some mental ailments could be improved through education, this approach should be greatly enlarged. Some of the basic safeguards to health need to be more generally understood and practiced by persons in the low-income categories if they are to be saved from suffering and misery in addition to becoming most effective and productive economically. Health, welfare, and educational departments are attacking the matter by their separate procedures, but there are few instances of coordination in planning or action. Each is likely to be so short on facilities and personnel that none can tackle some of the most difficult goals such as improved mental health, practices of child spacing and child rearing, and so on.

Health instruction with respect to diet, nutrition, exposure, rest, cleanliness, sanitation, and many other detailed matters will not be enough. Clinics and hospitals must be made more readily available and sufficient inducement for services of doctors and nurses must be secured. Health insurance must be extended.

Potential industrialization

When all is done that can be done to prepare young people for nonagricultural jobs and to encourage their migration to places where job opportunities exist, the man-land ratio is likely to need further adjustment. It will be desirable to induce industries to locate in or near depressed areas if people needing off-farm employment are to find productive work. In some States, agencies have been set up to locate sites having combinations of factors favorable to the location of industries—sources of power, adequate water supply, raw materials, transport service, available labor, and so on. It would not be difficult to expand such operations and publicize the information quite widely. Various types of processing plants may be located in such a way as to revolutionize agricultural production in particular areas by making a market available where none existed before. Certainly, it would not be too much to expect the dispersal of national defense industries in such manner as to provide job outlets in what are now overpopulated areas. Any such location of industry is likely to be accompanied by the expansion of services and service jobs, and also by demands for eggs, dairy products, and vegetables which may be grown locally with profitable advantage to agriculture.

Enlarging units of productive land

If enough people are enabled to leave the small unproductive farms or find off-farm work by moving to nearby towns, some of the pressure may be taken from the land and land values may decline to some point near their potential worth in agricultural production. Under such circumstances, it would become possible to get units large enough to justify the use of suitable modern machinery and agricultural methods. It is obvious that such expansion would require loans not only for land purchase but for stocking, equipping, and developing the farms as well. Long-term loans with minimum interest rates would be needed. Financing might come from a variety of sources—Government, private, cooperative. For the successful development of expansion under adequate financing it will also be essential to provide guidance in management and educational and technical assistance, as needed, possibly over a period of years. Since many banks have already developed the practice of including agricultural development specialists on staff personnel, this pattern might be greatly expanded to supplement the limited number available through governmental agencies.

In 1935 Senator John H. Bankhead called attention to the possibility of purchasing land which had come into the possession of banks, insurance companies, and other nonagricultural organizations. He proposed legislation in the 1st session of the 74th Congress (S. 1800 and S. 2367) that some of these lands be purchased and resold on such terms and in such manner that competent tenants and croppers might graduate to ownership and improve their position generally. It might be well to reexamine his proposed legislation with a view to adapting the idea to present needs for land reform.³

It is unlikely that sufficient migration from farms and other measures for reducing population will be sufficiently rapid to facilitate rapid expansion of farm units into optimum productive size. While it seems probable that some population pressure may be relieved, the process is likely to be gradual. In the meantime two other developments could lead to higher levels and standards of living—(1) the development of cooperatives and (2) the extension of these or some form of similar organization among part-time farmers. These might require even more skillful and patient guidance as well as additional knowledge on the part of specialists.

Expansion of cooperatives

It seems feasible, however, to teach the owners of small farm units to so cooperate in the purchase and use of machines and equipment as to reap some approximation of the advantages achieved in large-scale operations. To be fully effective, the cooperative enterprise would need to embrace the purchase of seed, fertilizer, and other supplies as well as the marketing of products. Such a pattern is widely and successfully used among farmers in some of the most successful and substantial areas of the Nation.⁴ But its success rests upon a fairly high level of knowledge, intelligence, and enterprise on the part of the participants. This fact need not be too discouraging, however, since the history of cooperatives contains many instances of triumph over profound difficulties, ignorance, and poverty.⁵

Part-time farming

It is a well-known fact that part-time farming is growing up as a byproduct of good transportation facilities and dispersal of industry. Commuting varying distances from places of residence to place of work has become a well-established pattern in all metropolitan areas. But it is not surprising that many members of rural households do not work on farms but go daily to their varied occupations in towns and cities. An increasing number of small factories and processing plants are being located apart from any town or city, and these must draw their labor force from surrounding areas. An increasing number of this industrial labor force in rural areas are part-time farm operators. Many of these are heads of low-income families in depressed rural areas. Others were reared

³ See radio address by John H. Bankhead in Congressional Record, pp. 2174-2175, vol. 79, pt. 2, January 30, 1935, to February 20, 1935.

⁴ Murray D. Lincoln on Agricultural Policies, hearings on the January 1955 Economic Report to the President.

⁵ Mary Ellicott Arnold, *The Story of Tompkinsville* (New York: The Cooperative League, 1940); Ellis Cowling, *Cooperatives in America* (Coward-McCann, 1943); and How St. Francis Xavier University Educates for Action (Antigonish, N. S.: The Cooperative League).

on farms and have purchased small acreages in the hope of deriving greater income from two sources rather than one. In many cases perhaps part-time farmers look upon their land as a constant basis of security and subsistence as opposed to the fluctuations and uncertainties of industrial employment. And, theoretically, it has been assumed that persons who change occupations without change of residence do so without disrupting family ties and social organization. It may be thought that small-scale farms become part-time farms with marked advantages but with a minimum of reorganization.

The expansion of part-time farming is so recent that its economic and social significance is little known. Whether the expansion of cash income from industrial work is utilized to improve and adapt farm production, is virtually wasted on agricultural effort, or leads to the increasing abandonment of agriculture is not known. Neither is it known whether working and deriving income outside the community of residence has any bearing on homelife or community relations of part-time farmers. In fact, it is not now known just what the general impact of part-time farming may be upon the relatively large families with low standards who live on small low-production farms.

These new developments suggest lines of much needed research. They also suggest the possibility of deriving maximum economic and social advantages through cooperative organization. The idea or ideal of balancing agriculture with industry has received varying attention for half a century or more; and one State has made it a slogan for policy. But if the notion ever takes any substantial shape, it will not appear by magical incantations or the strain of wishing combined with a policy of *laissez faire*. It seems likely that it would require more enterprise, effort, and intelligence, as well as a higher level of organization to participate successfully in 2 occupations than in 1. Furthermore, as one writer has suggested, part-time farming alternated with off-farm employment in industry may enable local industrial plants to develop irresponsible employment policies and make the latter state of affairs worse than before.

A GLIMPSE OF CURRENT MEASURES

One may ask whether the measures which have been utilized for many years to stimulate agricultural production and improve rural life are inadequate to deal with the problems of low-income families in depressed areas? The brevity imposed upon this statement makes it impossible to point out the vast organization, successful methods, and revolutionary accomplishments of the Agricultural Extension Service operating under the United States Department of Agriculture in cooperation with land-grant colleges, State agricultural departments, and thousands of county and community agencies. Space permits little more than listing some difficulties which would be encountered by presently established agencies in dealing with the peculiar man-land relations in low-income areas. Obviously, agricultural agencies have not been primarily concerned with the adjustment of population to limited land and resources. The expansion of agricultural production through the application of new discoveries in science and technology by millions of operators has been the chief goal. It has been the major responsibility of agricultural specialists of various kinds to teach through demonstration and organization the newest and best ways to operate farms and farm homes which they learned through highly specialized training. Because of their limited number and the limited time at their disposal, they have given their attention to those most willing to learn and best equipped to utilize knowledge. In fact, most, if not all, of their time is required to assist farmers with units of land large enough for the profitable application of modern agricultural technology. Furthermore, in dealing with farm youth through formal classes and clubs, agricultural specialists have been primarily concerned with advancing proficiency in agriculture and rural homelife. They have not had the split function of screening, training, and stimulating some young people for nonagricultural occupations and associated ways of living. Nor have agricultural specialists been trained in behavioral sciences with a view to making complex social analyses and working patiently to assist farm families now handicapped by ignorance, low standards and expectations, and extremely limited resources to reorganize the bases of their lives. The role of agricultural specialist does not include either know-how or responsibility for dealing with most of the problems set out at the beginning of this statement.

SOME LIMITATIONS OF PRESENT KNOW-HOW

At several points throughout this brief analysis, gaps in knowledge have been mentioned and needs for further research have been pointed out. The force of all that has been said is to raise serious questions. Why, in a Nation geared to progress and improvement, have so many whole agricultural areas remained so low in the scale of development over a long period of time? Since a number of the young people migrate from these areas every year, why do enough remain to practically keep the general situation much the same? Are the families in the low-income category satisfied with their situation and have they little interest in changing it; or, are they largely baffled, discouraged, and resigned to the status quo? In other words, how do they regard their situation? The question equally important, though often overlooked, is, how are they regarded by the upper income families and the professional and businessmen who live in the same general area with them? Do they believe the situation for low-income families can be improved—are the people capable and the conditions amenable to improvement? Do they recognize general and particular advantages in the improvement of low-income families? Do they want to bring about the improvement of low-income families, and will they participate in efforts to this end? Or, do they have some vested interest in maintaining an unskilled, docile, though inefficient labor force, whether tenants or temporary seasonal laborers? If not, are they merely occupied with their own problems and indifferent to the low-income segment in each community?

PROBLEMS TOO NARROWLY DEFINED

These questions suggest that the problems of low-income farm families in depressed rural areas are not merely agricultural and economic. They are sociological, psychological, and educational as well. It has already been indicated that some may be physical and biological or nutritional and hygienic. If some problems are basic to others, this needs to be recognized. It is quite possible that many of the measures discussed in this and many other similar statements are not effective when put into operation because they do not apply to the most crucial and fundamental casual relationships.

FEDERAL SUPPORT OF PRIVATE RESEARCH

No disrespect or distrust of agricultural research agencies is implied when it is suggested that Federal and State Governments should transfer some support and responsibility for research relevant to low-income families to private institutions and agencies. Any survey of the research literature on low-income families in depressed rural areas shows a preponderance of attention to facts concerning technology, agriculture, and economics with a minimum of concern for social-psychological relations. It would be surprising if it were otherwise, and it seems likely that agricultural agencies will continue the emphasis suited to their special interests, competence and facilities. Research branches associated with action organizations might easily overlook or be disinclined to emphasize investigations which might reveal inadequacies and shortcomings of action programs. But legislative bodies might be genuinely interested in promoting and supporting research by nongovernmental agencies. One of the major points in this summary statement is to recommend the provision through Federal legislation of research support for private institutions to obtain information concerning the problems set out in the following pages.

DESIRES AND STANDARDS OF LOW-INCOME FAMILIES

The first body of needed research has to do with the system of values and mental images which prevail among most of the low-income farm families. Whether their persistent clinging to the land indicates an unconscious assumption that land is the primary or only source of security is not known. It is possible that life on the land may also be associated with some feeling of independence and freedom regardless of the level of living which is derived from it. There may be unconscious fear of leaving the land. It is not known how those who leave the land and go to work in industrial cities tend to regard their new

situation and what reports they make to their folks back home. They may not like the restricted living room and housing conditions they find in cities nor the insecurity of jobs even though their level of living may be somewhat higher. The fact that some return to the land to live and many more express wishes to be buried at or near their old home place may indicate a persistent attachment which may be felt by the majority. When it comes to the matter of standards of living, there is no way of judging psychic income apart from a particular system or way of living. It is only levels of income which can be seen and measured—food intake, housing, housefurnishings, telephone, car, guns, boats, fishing equipment, dogs, domestic animals, and so on. The kinds and amounts of material goods may be a basis of inference concerning values. But it is certainly possible to learn to do without many things and still get along right well. Unless and until principal fears, wants, aspirations, and hopes are known, it must be difficult to select means of influencing change and suggesting action.

WHAT CONCERNS UPPER-INCOME FAMILIES

The second body of information which should be obtained concerns the place occupied by low-income farm families in the thinking and actions of higher income families. In many instances in the South the two are related by blood kinship. But in many others the relations are stratified so that two segments of the population assume or accept the idea that one is dominant and the other subordinate. To what extent and with respect to what matters such a relationship exists is not clearly understood. But more important, to what extent and with respect to what matters the dominant families feel responsibility to and for low-income people is not clear at all. The dominant ones, especially when they are landlords, seem to accept responsibility for housing and feeding dependents; but they may practically wash their hands of responsibility for educational and health facilities. They may see little advantage in helping to build and maintain a population with optimum health and vigor. They may even discount the possibility or probability of raising the level of education among low-income families. Or they may think the economic problems involved in doing so are insurmountable. These matters are of strategic importance because it is quite doubtful whether the chain of relationships and general situation of low-income families can be significantly altered without the intelligent support and cooperation of those with higher incomes. To the extent that this is true means must be found to impress them with advantages to be derived from their cooperation and effort. To ignore these basic relations is most unrealistic.

QUALITY AND KIND OF EDUCATION AVAILABLE

Although these two problems are quite basic and might be studied more strategically by nonagricultural private institutions, there are many other matters which require research. One concerns the quality as well as the kind and amount of education being received by children of low-income families. Although grade level attained in school is the most frequent measure of educational attainment, it may offer little essential exactness or accuracy. A reasonable degree of common sense combined with some observation would raise questions concerning the quality of education which is made available in many low-income areas. Rote learning is not only emphasized in many schools, but it is often a purposeless sort of learning. It is useless to regard basic education and diverse vocational education as a means of improving conditions in depressed areas unless the teaching personnel combines insight and understanding with a reasonably good educational background. The investigation of education should reveal what vocational education is now available through schools and other sources and whether it is altogether bookish and abstract and is or is not associated with guidance and information concerning job opportunities. It should be obvious indeed that something quite different from the usual school-survey type of investigation is needed.

Another phase of education which merits study is that received by agricultural specialists. It seems possible that emphasis on agricultural technology, which has received major attention in the past, might now be continued at a time when increasing attention should be given to more knowledge and application of the behavioral sciences. Investigation might show that the professional personnel in most direct contact with low-income families have little appreciation of the total situation and relationships with which they are dealing nor much insight concerning motives of people and genuine communication with them. Furthermore, it might be found that professional personnel have had little training to

develop such appreciation, insight, and skill. It would be highly significant to learn what conception of problems and goals professional personnel have in mind for the people they serve.

ATTRACTING COMPETENT PERSONNEL

Investigation might be focused upon the problem of attracting competent professional personnel to serve in areas of greatest difficulty. It has been found necessary to offer special inducement to get highly competent persons to go to underdeveloped regions in foreign countries for substantial periods of time under the point 4 program. It might prove equally necessary to provide similar inducement in order to get equally competent professional leadership in the depressed areas of America. A study is needed to determine salaries, housing, recognition, tenure, and facilities for work now available to ministers, teachers, doctors, nurses, welfare workers, agricultural specialists, and other professional personnel selected to serve low-income areas. The frequency and kind of local political and social pressure to which professional persons are subjected might, upon investigation, prove to be a significant factor in quality or tenure. It is doubtful whether coordination of services and achievement of major goals are likely to be brought about without fairly continuous tenure on the part of competent personnel.

OTHER INVESTIGATIONS

It has already been suggested that the impact of part-time farming on the problems of low-income families needs to be studied. Some of the lines to be investigated have been pointed out. Similarly, the impact of recent social-security provisions needs to be more fully understood. These, combined with other investigations which have been suggested, might well become the basis for reorganizing the agencies and means for genuine rehabilitation of depressed rural areas.

SOME OBSERVATIONS CONCERNING PART-TIME FARMING IN DEPRESSED RURAL AREAS

Walter C. McKain, Jr., professor of rural sociology, the University of Connecticut

Part-time farming has its roots deep in American culture. Early settlers had only a fragmentary division of labor. Doctors, merchants, clergy, and teachers were often farmers as well. The first manufacturers utilized the services of farm people. In more recent times, the progress that has been made in transportation facilities has drawn urban occupational opportunities and rural living more closely together. In 1950 there were over 600,000 part-time farms and over 1 million residential farms.¹

But the part-time farms of yesteryear are not the same as the part-time farms of today. The same factors that have brought about striking changes in full-time commercial farms have also influenced part-time farming operations. In the first place, there has been a shift in the major source of income of the part-time farm operator. Part-time farmers have become increasingly dependent upon nonfarm income. In the past, many part-time farmers secured most of their living from agriculture and considered their off-farm earnings to be supplementary. More and more part-time farmers today rely primarily on their non-farm earnings. Their income from agriculture has become subsidiary.

Secondly, many of the efficiencies developed in modern agriculture are related to the scale of operations. The advances made in both production and marketing are frequently a function of size. To the extent this is true, the small part-time farmer either has become a specialist in some farm enterprise that can be handled efficiently on a part-time basis or has continued in farming because of the low opportunity costs of his labor.

One of the solutions sometimes advanced for the rehabilitation of depressed rural areas in the development of part-time farming. There are two basic reasons for such a program. One of these reasons has merit in my opinion; one does not.

Part-time farming does provide a step in the transition from a farm to a nonfarm occupation. The eventual removal of farmers from depressed rural areas may be necessary. Yet many farmers on marginal or submarginal land

¹ Characteristics of the Low-Income Population and Related Federal Programs. Joint Committee on the Economic Report. United States Government Printing Office, Washington, 1955.

are very close to the soil and are reluctant to leave agriculture as a way of life. These ties cannot be broken abruptly without serious consequences. The development of part-time farming in the area would promote a gradual withdrawal from agriculture. It would afford the marginal-farm operator an opportunity to develop new skills and adapt himself and his family to an urban environment at a pace that would be commensurate to his desires and ability.

Part-time farming operations have also been encouraged as a means by which the harsh effects of low employment and depression can be cushioned. In my opinion, this is not a tenable position under modern conditions of agriculture. The part-time farmer is usually an operator who cannot utilize fully the efficiencies that characterize contemporary agriculture. His scale of operations is small and his capital is limited. If his nonfarm job is lost, he cannot profitably turn to farming on a full-time basis. Furthermore, because his interests are divided he may be a marginal man in his nonfarm occupation. If so, he is doubly disadvantaged in years of depression. This was demonstrated in a research project conducted at the Storrs Agricultural Experiment Station in the 1930's. Part-time farmers were overrepresented on relief rolls in comparison with either full-time operators or nonfarmers.²

If part-time farming is to be encouraged as a means of raising the levels of living in depressed rural areas, the emphasis should be on the gradual removal of men from farm occupations rather than on the establishment of a permanent part-time farming economy.

FREE-ENTERPRISE SLOGANS CAN'T SOLVE OUR AGRICULTURAL POVERTY PROBLEMS—
GOVERNMENTAL ACTION PROGRAMS ARE NEEDED

C. Clyde Mitchell, Chairman, Department of Agricultural Economics, University of Nebraska

SUMMARY

I have made no attempt to cover fully the complex problem of how to rehabilitate the depressed rural areas of America; instead, I have attempted to present views on five points that I anticipated some of the other participants at these hearings would not develop satisfactorily. They are points of major significance, however:

1. Are there too many farmers? My conclusion is that there are not, and that acceptance of any idea that agricultural policy should attempt to force any significant number of farmers out of agriculture is incorrect policy.

2. Are direct-action programs necessary to solve the problems of low-income agricultural producers? My conclusion is that they are. I strongly urge immediate legislation to set in motion comprehensive programs of supervised credit which, within a period of as few as 10 years, can virtually abolish rural poverty and change the role of presently underprivileged farm people in America into one of efficient, adequately paid producers.

3. Does agriculture have proper access to capital funds? My conclusion is that it does not, and that profound institutional changes need to be brought about in the American techniques of supplying capital funds to agriculture in order to remedy this lack.

4. Should special emphasis be placed on programs to help beginning farmers get established? My conclusion is that new methods must be found to enable competent farmers to become established no a well-equipped farm early in their lives, when it is most likely that they will be able to produce efficiently.

5. Finally, I should like to point out that the solution of these poverty problems will demand considerable extension of the role of government in our economic life, because they are problems that cannot and will not be solved unassisted by the private sectors of our economy. The American economy, regardless of slogans and clichés to the contrary, is not a "free-competition, private-enterprise system." Indeed, the segments of our economy where our American system shows up most badly, the areas of rural and urban poverty, are precisely the places where new welfare programs are most urgently needed. The conservative American who opposes the extension of governmental action programs into such areas on the grounds that they are not properly a part of the American free-enterprise system,

² N. L. Whetten and W. C. McGain, *A Sociological Analysis of Relief and Non-Relief Families in a Rural Connecticut Town*. Storrs Agricultural Experiment Station, Bulletin 219. July 1937.

is unwittingly doing a disservice to the system he favors. He has let his preference for oversimplifications and slogans obscure his understanding of the real nature of the American economy and the way politicoeconomic maladjustments are attacked.

1. ARE THERE TOO MANY FARMERS?

I think many of our agricultural economists and policymakers have embraced faulty logic in concluding that between 1 and 2 million American farm families should leave agriculture and go into industry. This conclusion has led to some very unwise agricultural policy decisions, particularly decisions to try to squeeze the excess farmers off the land (using lower prices and lower income). Let us back up a moment and see why there might, after all, be need for 5 million highly productive farm families in 1965 and 1975, in spite of the fact that the 3 million most productive farm families could produce all the farm products we are using today.

The thing not sufficiently considered is the type of diet that a fully employed, prosperous American will consume in 1965 and 1975. If our diet improves (slowly, as it is now improving, and not rapidly as the nutritional experts wish it would improve), we are going to need 25 percent more beef in 1965 than today, 50 percent more in 1975. We will need one-third more pork in 1965, more than one-half more in 1975. We will need one-fourth more dairy products in 1965; one-half more in 1975. Poultry, fruits, green and leafy vegetables will all have to be increased one-half by 1965 and almost doubled by 1975.

Now the significant thing about all these agricultural products is that they require high-labor input. Unless changes in production processes more revolutionary than any we can foresee right now take place, they will continue to require high-labor input. This means that in 1965 and 1975 our country will need at least the same number of farm families that we have today. Of course, these should and must be more efficient farm families than some of them are today—but the number is very likely to be no smaller. Our problem then becomes one of education and graining, adequate credit and assistance to enable today's inefficient farmers to make themselves efficient, earning a good living by producing high-value protective foods for a prosperous America. Most of the so-called surplus farmers are temperamentally suited to farming at least as well as to any other enterprise; and therefore the social cost of helping them become efficient farmers would probably be less than trying to force them into other means of livelihood.

It is not even certain that farms will be larger in 1965 and 1975, as some agricultural economists too glibly assert. It is true that today some farms are being consolidated into larger units; but it is also true that many farms are being split up into smaller and more productive units. For example, whenever water is brought to semiarid farmland, it is often possible for a low-production poverty farm of 240 or 320 acres to be split up into 2 highly productive units, each one capable of utilizing the full-time work of a farm family—each one requiring the investment of \$30,000 to \$60,000 new capital. There are without a doubt too many 20- and 40-acre cotton farms in the South, but we should not assume that the only solution is to consolidate several of them into one 160-acre farm. The solution in many instances will be to enable the farmer on the 40-acre farm to change his method of farming, associate himself with new intensive capital equipment, raise high-value livestock products, fruits, vegetables, poultry products, and become a real contributor to the prosperous and better-fed America of 10 and 20 years hence.

Of course, we may discover in 1965 and 1975 that we do have too many farmers. What I want to say now is that the question is still moot—it is not settled anywhere nearly as definitively as some economists seem to think. And because it is not a settled point, I think it is a mistake to adopt an agricultural policy that accepts without question a view that we need to do everything possible from agriculture's side of the picture to push these low-income and underprivileged farmers out of agriculture, particularly when American industry, plagued with 3 to 5 million unemployed even in this moderately prosperous period, shows no great willingness to accept the surplus farmers.

The fallacy of trying to force farmers out of farming

Industry, when rapidly expanding in the areas of agricultural depression, can draw large numbers of workers out of agriculture. When industry is rapidly expanding, but not in the areas of agricultural depression, it exerts a much less attraction on low-income farm people; moving long distances and retraining oneself costs money which these people do not have. But when industry is itself

having considerable problems of maintaining full employment, the opportunity for low-income farmers to leave farming is practically nil. Agricultural policies designed to force low-income farmers to leave farming fail singularly at such times. The only time such policies could be justified at all would be in emergency periods, such as mobilization, when other methods—the draft, patriotism, good industrial wages, relocation assistance—all had failed to budge certain pockets of surplus agricultural manpower. In such an unlikely situation, society might be justified in trying to force men out of farming with economic pressure. However, in such periods the economic pressure of low prices and farm incomes, the very measures being proposed by some economists to force the surplus farmers out, would not be possible, because in such periods prices and incomes should ordinarily be high. The only type of social force that could force farmers out of farming would be direct governmental controls such as an occupational draft, in which some public body would decide that all farms below a certain size and productivity would be closed down and the farmer required to take another job.

To summarize this point, I do not think it is an exaggeration to say that forcing farmers out of farming is impossible, using economic pressures—they can be drawn out, some of them, by good times, but they can't be forced out by economic penalties. Furthermore, the chances are fairly good that 10 years hence we will need 5 million efficient farmers.

2. ARE DIRECT-ACTION PROGRAMS NECESSARY TO SOLVE THE PROBLEMS OF LOW-INCOME AGRICULTURAL PRODUCERS?

The very great number of farm families involved in the low-income farm problem, the necessity of supplying large amounts of credit to poor risks at low interest, plus the fact that many services of an educational-supervisory nature will have to be supplied for a long period of time. These factors are weighty enough to insure that we shall have to depend upon direct-action programs supported by Government. If Farmers' Home Administration experience is applicable to a new supervised-credit program that must be many times larger, and if the Nation can maintain full employment, we can be fairly certain that a great number of the farmer participants will graduate from the program within a few years, repaying their Government loans, becoming successful farm managers and valued customers of conventional credit institutions. In this connection, however, it should be pointed out that the FSA/FHA was never able to risk the money nor spare the great amount of supervisors' time necessary to work effectively with the worst problem cases in American agriculture. From my own experience with FSA, I was aware that although we dealt with the lower third of American agriculture, we were able to accept as borrowers only the upper third of the lower third. To help the lowest third of the lower third would be very difficult. Let us assume that the present caseload, for example, of the FHA were to be increased only 10 percent, but with the entire increase coming from the lowest income decile in American agriculture. Now if supervision and credit were to be supplied which would make it possible for most of the new cases to be rehabilitated within 10 years, the supervisory load to the FHA would be increased vastly more than 10 percent, perhaps as much as 30 to 50 percent, for the Nation as a whole. The education-supervision function would have to be increased fivefold or tenfold in some areas of the South if the poverty problem is to be attacked with reasonable chance of success.

The principles of supervised credit pioneered by the Resettlement Administration since 1933, and its successors, the Farm Security Administration and the Farmers' Home Administration, must be greatly expanded, in order to assist the low-income farmers of America to become efficient, producing members of our society. The amount of loan funds needed will be large—possibly in the neighborhood of 15 to 20 billion dollars of new agricultural credit within the next 5 to 10 years. Practically all of this money will be repaid, however, given national prosperity. The amount of administrative funds for supervision and assistance in farm and home management will also be quite large, much larger in fact than a mere projection of present FHA figures would indicate, because the caseload at the lower end of the economic scale will demand proportionately greater assistance. The sums spent on this worthwhile endeavor, however, are sums that our Nation should be more than willing to spend; and they will undoubtedly turn out to be less than the costs of doing nothing about rural poverty. Even these technically "lost" expenditures will ultimately be repaid, through income taxes and in other ways, by the productive, efficient farmer-citizens of the future who will be created from the ranks of people who today are unable to bear either the costs or responsibilities of citizenship.

3. DOES AGRICULTURE HAVE "PROPER" ACCESS TO CAPITAL FUNDS?

When another subcommittee of the Joint Economic Committee met a year ago, I submitted testimony devoted almost entirely to this question. My summary of this testimony stated:

"National welfare demands that there be made available to agriculture within the next few years, at low interest rates, very large increments of new capital funds."¹

My experiences in the year since I presented that testimony have strengthened my conviction that agriculture does not have proper access to capital funds, and that social intervention on behalf of agriculture into the process of capital-funds creation is eminently justified. I do not desire to repeat the arguments contained in that lengthy testimony—however, I recommend that the subcommittee on low-income problems in our economy reread it. Many of the most pressing problems of low-income America can be solved only if we reorient our ideas of capital formation, and intervene in the process, on behalf of segments of our economy that are seriously undercapitalized. The title of my paper, mentioned above, was "Monetary Policy Is Too Important To Leave to 'The Market'." For the information of the present subcommittee, however, I should like to remark that the banking and business press took considerable editorial exception to my suggestions, calling them "radical," "socialistic," and worse names. I believe that the analysis I made in that paper of the way capital is actually formed in these United States, and particularly the way in which capital is formed at the times when the economy is most prosperous and most progressive, fully bears out the conceptual analysis I made at that time, and suggests worthwhile avenues to explore in the future, particularly with regard to deficit areas of agricultural capital. I believe that for our Nation to follow an expanding economy goal and carry out the ambitious terms of the Employment Act demands, among other things, that interest rates for capital-goods formation in worthy industries (particularly agriculture) remain at low levels, and that the supply of capital funds be greatly increased. The economic idea that capital funds, and the rate of interest for capital funds, inevitably must be rationed through the operation of something naively assumed to be a free capital market is a highly fallacious, if highly reputable, delusion.

4. SHOULD SPECIAL EMPHASIS BE PLACED ON PROGRAMS TO HELP BEGINNING FARMERS GET ESTABLISHED

Again, I should like to refer the subcommittee to the lengthy testimony, including a development of conceptual ideas regarding the proper rationing or allocation of capital funds in the American society, included in the hearings mentioned above. A great revolution has taken place in recent years with regard to the amount of capital goods with which a farmer must associate himself if he is to operate in a modern and efficient manner. Other witnesses before this hearing have made the same point. But the maximum that a farmer without considerable family help can borrow for the land-buildings-equipment is between 33 and 45 percent. Raising \$30,000, or even \$10,000 is a difficult matter for most American farmers, and particularly so for the young farmer just getting started. To improve agricultural productive efficiency for the America of the future will require that methods be found to enable competent young farm producers to associate themselves with adequate capital equipment early in life, when their vigor and ambition are highest. The association at such a time will prove quite successful. A young farmer who can start properly capitalized should, given prosperity, be able to increase his physical productivity to the point where he can pay off his loan in a reasonable length of time—the increased productivity of a man properly capitalized has justified the loan. If, however, the prevailing farm-finance pattern of today is continued, those 20 or 25 years of highest physical ability must ordinarily be wasted on inadequate and ill-equipped farms. I recommend that our policymakers give serious consideration to programs which supply 80, 90, or even 100 percent of the basic capital funds necessary for a young and promising farmer to set himself up in a soundly planned economic enterprise. I recommend that we begin to consider loan periods for the land itself, the nonwasting asset, for 40, 50, 60 years, or even longer. In many European banking systems, the farmer is expected to pay his loan for wasting im-

¹ Hearings, before the Subcommittee on Economic Stabilization, of the Joint Committee on the Economic Report (83d Cong., 2d sess., December 6-7, 1954, pp. 62-73).

improvements off in short periods, but he is expected to maintain only slightly more than interest payments on the basic investment in the land. Perpetual credit, a reality for most of American industry, might well be investigated for a portion of agriculture's credit needs.

5. SOLVING THE POVERTY PROBLEM IN AGRICULTURE WILL INEVITABLY REQUIRE AN EXTENSION OF GOVERNMENTAL PROGRAMS

For agriculture to solve its most pressing problems, those involving the 2 million farm families living at levels below the American standard of decency, requires first that this country implement the Employment Act of 1946 to the extent necessary to maintain full, really full, employment, and booming prosperity. We must have an improving market for the so-called "protective" foods, the high-labor-input foods that can be produced by the presently underemployed farm families who make up the poverty problem. We must also have an expanding industry that can offer additional opportunity for such farmers as are willing to leave agriculture. Both of these things demand a truly prosperous America. However, to keep the Nation fully employed, and thereby to enjoy real prosperity, will undoubtedly involve a greater willingness to plan properly, and use adequately financed governmental action programs in a timely fashion. An increase, rather than a decrease, in the complex relationships between Government and the private sectors of our economy, will be the rule for America in the future. Economic naivete notwithstanding, the American economy is complex and will become more so. Particularly for the solution to the poverty problems in American agriculture, planning and action programs will become even more costly than they have been in the past. But to leave these problems unsolved would be infinitely more costly.

REHABILITATION OF DEPRESSED RURAL AREAS

Lowry Nelson, professor of sociology, University of Minnesota

This statement has reference to the area known as the Minnesota Cutover which comprises all or portions of 16 counties in the northeastern part of the State. The area has always been a problem area since the harvesting of the virgin growth of timber was completed around the turn of the century. After the timber harvest the area was open for agricultural settlement and land salesmen exploited the hunger for land both at home and in foreign countries to the limit. Much of the land, we well know today, is not suited to agriculture and should never have been plowed. Many farm people have tried and failed in the effort to develop farms. Many succeeded fairly well; those who happened to settle on the better soils in this highly variable region, and who had the necessary capital and managerial ability to clear enough land for an economic unit, and then to equip it with livestock.

It is an area of many part-time farmers. Employment off the farm is made possible by the iron-mining industry and work in the timber. It is estimated by those familiar with conditions today that the population is better off from the standpoint of employment and total income from farm and nonfarm sources than has been true at any time in the past. This does not mean, of course, that there are not many families who are living on incomes too meager to support a reasonably high level of living.

The low average income for the area is associated with the highest birthrate among the economic areas of the State. The consequence of this high birth rate and low economic opportunities leads to heavy migration out of the region. Distress is greatest in this area when the general level of economic activity in the Nation is declining. This leads to a backing up on farms in the area due to the slowing down of migration. In short, the flow of people out of the area represents a major form of adjustment, such as there is, of the population to the local resources.

In short, this area has never achieved a generally satisfactory agriculture such that farming alone could support the population on anything but a marginal or submarginal level. Hence it is not a matter of rehabilitating a distress rural area; but rather a problem of endeavoring to create something which has not existed before, namely, an economy adequate for the people who want to remain there.

Inasmuch as the cutover has been an ever-present problem over the years, much attention has been given to it by both Federal and State Governments and their agencies. During the 1930's, a large tract of second-growth forest area inhabited by some 300 families was purchased by the Federal Government from the families, and assistance given to the former owners in moving to more desirable, and especially less isolated, areas. The Legislature of the State of Minnesota has created a special fund derived from a proportion of the taxes paid by the iron-mining companies to be known as the Iron Range Rehabilitation Fund. It has been active over the years in trying to find ways of creating employment opportunities outside of farming and of improving the chances of a better livelihood for farmers themselves.

Other agencies of State and Federal Governments have been active in trying to find answers to the problem of the cutover. These include the Agricultural Extension Service, the Farmers' Home Administration, the Soil Conservation Service, State and Federal forest services, the State welfare department, and so on.

Yet the problem remains, although in somewhat altered form. The development of ways of reducing low-grade iron ores to more concentrated form—the basic research for which was done by scientists of the University of Minnesota—has opened new and important employment opportunities in the area, while at the same time many farmers have adapted their practices to cutover conditions and found improved methods of making possible larger incomes. Changes are taking place from year to year which do not show up in the census figures for 1950. Data reported in the agricultural census of 1950 were mainly for the year 1949. Fortunately, the figures for the agricultural census of 1954 are now released by the Census Bureau. These indicate an extraordinary decline in the number of farms in the Minnesota cutover. In the 16 counties included in this calculation, the number of farms declined by 5,241 (from 28,083 in 1950 to 22,842 in 1954). This decline of 18.7 percent contrasts with 5.7 percent decline for the balance of the State. Unlike the rest of the State, also, the amount of land in farms also declined, and by a total of 353,116 acres. The decline in farm acreage was not proportional to the reduction in farm numbers. Since farms in the area are generally regarded as too small, it is encouraging to note the increase in average size from 142 to 160 acres. Thus, a goodly number of farms were abandoned during the period from 1950 to 1954.

This decline in the number of farms is a general trend over the country and Minnesota in particular. However, outside the problem area, the decline in farms is not accompanied by a decline of the total land in farms. For example, in the 6 Red River Valley counties, bordering the cutover on the west, the number of farms declined by 740, or just short of 6 percent, but the land in farms increased by 56,841 acres.

We can only speculate on what happened to those who abandoned farming entirely. Perhaps some left for work in the new taconite industry. Some operators would have retired and others would have died during this period. What will happen to the abandoned acres? Will they become the home of some new generation of "fugitives" from industrial unemployment? That is what happened during the depression of the 1930's. We do not know precisely what the situation is as of 1955 in the Minnesota cutover.

We have then a problem area in Minnesota which is undergoing very rapid changes due to new developments in the mining industry and to changes in the process of farming. However, it remains a problem area; but a problem about which we do not know sufficient regarding either its scope or detailed characteristics. Who are the low-income farm people today? How many are part-time farmers? How many are aged receiving monthly checks from the public welfare department, or from old-age and survivors insurance? What are the aspirations of these people? Is there any gap between their aspirations and their present level of living? This latter question is important because the answer to it will condition the program if one is designed anew for this area. As everyone at all familiar with the people of the cutover knows, there are many people there in modest financial circumstances who would not want to live any place else—in short, who are quite happy and contented where they are and with their existing level of living.

Until we know the dimensions and nature of the human problem as it exists today in Minnesota's cutover, it is impossible to say what kind of program, if any, is called for. For example, is a program of expanded direct assistance to the farm people needed or should emphasis be placed upon more indirect methods? Perhaps both types may be the answer. By indirect methods, I refer to the im-

provement of the institutional structure of the area. Although the area is fairly well equipped as far as schools are concerned, thanks to the local revenue derived from the tax on mines, this advantage is not equally shared throughout the area. It is true, that school attendance for the area is generally high; higher even than for some of the better agricultural areas of the State. But it may well be that that kind of education may be falling short of serving the needs of the young people of the area.

It is well to keep in mind that migration is one important method of adjustment in the cutover, and that formal schooling bears a direct relation to migration. High-school graduates will tend to migrate in larger numbers than non-graduates. But the migrants from this area are very numerous and much attention needs to be given to the content of the schooling, whether it is such as to facilitate the adjustment of the migrants in the places outside to which they go. It would appear that any increase in amount and improvement in the quality of education would facilitate the flow of people out of the area. Among other indirect approaches might be mentioned the zoning procedure already used in some but not all counties, whereby certain areas are declared agricultural and others nonagricultural land. The latter are not open to settlement.

But before any decision can be made as to future action, more information is needed concerning the people of the area. This involves a survey to get the relevant facts.

REHABILITATION OF DEPRESSED RURAL AREAS

Statement of James G. Patton, president, National Farmers Union

Sliding scale farm price programs, lack of sufficient credit adapted to family farm needs and the historically chronic adverse terms on which farm families must trade with big industry have combined since 1952 to force nearly 200,000 farm operator families off the land and to turn to practically all of rural America into a depressed area. The recent farm depression imposed by official Federal policy has been loaded on top of large pockets of long-standing rural poverty which resulted from and were allowed to persist primarily because of insufficient family farm credit and farmers' chronically adverse terms of trade.

Not farmers alone

Not farmers alone, but all the people and institutions of the community and trade area, suffer from narrow economic opportunity and inadequate standards where farm family incomes are too low. Farm income is the primary source of economic activity in rural America. The profits of small business in rural America are low and falling because farm family income is low and falling. Salaries that public servants, professional people, clerical employees, and other white-collar workers can earn in rural America are low and stay low because farm family income is low and falling. Wage rates of hired workers are low and stay low in rural America because farm families' incomes are low and falling. Public institutions and services in rural America are unable to maintain adequate standards because farm families' incomes have been low and are falling.

These circumstances, which only 3 years ago were fully characteristic of only those areas of concentrated large numbers of low-income farm operator families and where large numbers of migratory hired farm workers were employed by factories in the field, have now been expanded to all of rural America. Meanwhile conditions in the areas of chronic rural poverty have become even worse than they formerly were.

All of rural America is a depressed area

All of rural America, including the long-time distressed areas has been depressed and is in grave danger of becoming permanently distressed.

The simple facts of the already serious and growing depression in the rural area are quickly told.

There was a 70-percent drop from 1952 to 1954 in the profits of small manufacturing corporations which are much more prevalent in rural areas than large corporations whose profits increased by 21 percent. Corporate income after taxes of wholesale and retail corporations which are relatively more prevalent in rural areas dropped by 3 percent from 1952 to 1954 while corporate income of industrial corporations increased by 6 percent.

Falling farm family income

Net income of farm operator families dropped from \$14.9 billion in 1952 to \$10.6 billion seasonally adjusted annual rate in the third quarter of 1955. This was a drop equal to one-third of the current farm income level in 3 years.

This drop in net farm family income did not result from soaring farm production expenses as certain loud and loquacious sliding-scale advocates have tried to imply in recent speeches. Actually farm production expenses dropped from \$22.8 billion in 1952 to an annual rate of \$21.9 billion in the third quarter of 1955.

\$4.7 billion drop in farm gross income

Net farm family income dropped in spite of lower production expenses, because realized gross farm income dropped by \$4.7 billion from \$36.9 billion in 1952 to \$32.2 billion in the third quarter of 1955. Here is a basic measure and cause of depression in rural America. In 1955 farm families had \$4.7 billion less to spend to buy production goods from local merchants and cooperatives and goods and services for family living. Retailers in rural areas of America had \$4.7 billion less sales, than they would have had if gross farm income had been maintained at the 1952 level. These retailers had \$4.7 billion less from which to pay taxes, hire employees, and place orders with wholesales, and correspondingly less profits for use of their own families who purchase from other local retailers and professional people.

Aspersions have been cast the last few years upon the efficiency and productivity of family farmers as if to imply this was the cause of falling farm income. The truth is the drop in gross farm income from 1952 to 1955 occurred in spite of an 8-percent increase in farm output.

Slump in prices received by farmers

Farm gross income fell from 1952 to 1955 not because of a failure in farm efficiency but because prices received by farmers for the products they produce and sell suffered a 19-percent drop from 1952 to October 1955. Not decreased production nor increased production expenses but the drastic drop in prices received by farmers is the immediate reason that gross and net income of family farmers fell. Falling prices of farm commodities is the direct reason that all rural America is an increasingly depressed area and is rapidly becoming a universally distressed area.

Sliding-scale program brought price drops

Owing to the adverse terms of trade under which farm families must deal with the rest of the economy in the absence of a specific farm income support program, farm income and farm prices are made in Washington. In October 1952 before it was known that sliding-scale advocates would be victorious in the election in early November of that year, prices received by farmers stood at 100 percent of parity. Immediately after the election farm prices dropped below parity and on Inauguration Day stood at a few points above 90 percent of parity where they could have been held under existing legislative authority. Instead of holding the line at not less than the 90 percent of parity level authorized by law, the administration placed the sliding-scale program into operation dynamically and progressively.

The falling farm family incomes of the last 34 months are a direct result of the progressive application of sliding-scale farm price-support policies. This process was initiated with cuts in the support levels of feed grains and oilseeds of 5 percent with subsequent cuts each year since. The total cut in support levels for these commodities now has reached a disastrous degree. Support levels have been dropped for barley from \$1.22 in 1952 to 94 cents in 1955; for oats from 78 to 61 cents; for rye from \$1.42 to \$1.18; for grain sorghum from \$2.38 to \$1.78; for flaxseed from \$3.77 to \$2.91; for soybeans from \$2.56 to \$2.04; and cottonseed from \$67 to \$46 per ton. All of these price cuts by the administration reduced farmers' gross income, lower and lower each year for the producers of these commodities. These price and income cuts were on top of the relative poverty of more than half of these producers whose family incomes in 1952 were less than \$2,000.

On April 1, 1954, the support level for milk and its products was dropped by 17 percent, from 90 to only 75 percent of parity. This action alone translated itself into a 40-percent cut in net family income of producers of manufacturing

milk. Again this was a very heavy cut to impose upon milk-producing farm families, almost two-thirds of whom had incomes in 1952 of less than \$2,000.

During the period since January 1953, no price-support action at all was taken by the Federal Government to stop plummeting egg and poultry prices, which dropped to postdepression lows in the fall of 1954. No effective price-support action at all was taken to stop the drop of beef-cattle prices from the 90 percent of parity level authorized by law that prevailed in early 1953. To the contrary, the average level of prices for beef cattle was allowed to drop to less than 70 percent of parity. The price received by farmers for hogs has been allowed to drop during the past year from \$19.70 per hundredweight to \$14.50, national averages. And no price-support action has yet been initiated even though the price of hogs was down to only 69 percent of parity in October 1955. The meager pork-purchase program announced in late October will add not more than 33½ cents per hundredweight to the low prices of hogs in the next 10 months; less than 2 percent of parity price.

Now, in 1955, even the prices of basic commodities have been put on the sliding scale. For example, the support price for wheat was dropped from \$2.40 per bushel in 1954 to \$2.08 in 1955, and a further cut in 1956 to \$1.81 per bushel under the Agricultural Act of 1954 has already been announced by the Secretary of Agriculture. In 1956 corn will be dropped to \$1.38, rice to 75 percent of parity, cotton to 80 percent of parity, and parity itself for these commodities is being cut by 5 percent.

So-called free market weighed against family farmers

Economic history of the past 45 years for which statistical evidence is available indicates that free market terms of trade are adverse to farmers at all times except in those few years when the total national economy grows by 10 percent or more above the previous year. In all other than such exceptional years, farm prices and incomes will fall unless a firm and adequate farm income protection program is kept in operation. When sliding scale price policy was placed into operation farmers were placed increasingly on the untender mercy of the disadvantaging forces of the so-called free market.

The adverse trade conditions of family farmers bear very heavily upon them. Almost all family farms today are commercial farms. They must buy almost 90 percent of the machinery and supplies used for farm operation and modern farm living. They sell over 89 percent of what they produce. The terms they trade on make a big difference in the standard of living the family is able to earn.

The prices of things that farmers buy, both production and family living items, are retail prices like the prices all consumers pay. These retail prices, and the wholesale prices behind them, are administered prices—prices set by manufacturers, money-market bankers, railroad companies, and others, on the basis of their ability to withhold supply to maintain the set price. Experience has shown that these prices paid by farmers and consumers rise fast enough in periods of inflation. However, experience has also shown that the prices paid by farmers for things and services they must buy from nonfarmers do not drop very much even in periods of economic stagnation. This is because manufacturers and the others, protected by tariffs and corporation laws and Government commissions, can hold down protection and maintain price, partly because of the small number of firms in each industry. They can do so profitably because overhead fixed costs are a small proportion of total costs, thus enabling them to make large cuts in cost as a result of reduced production.

On the other hand, there are about 3½ million farmers selling in competition with each other. None of them controls a significantly large enough share of the total market to raise prices received by withholding supplies from the market. Nor have they been able successfully to band together voluntarily to do so. Moreover, unlike the industrialist, a farmer's fixed costs are a very high proportion of total costs. He cannot reduce costs much by curtailing production. Operating alone the only out for the individual farmer is to produce more as long as he can to raise gross income by increasing volume of sales. The increased supply resulting from 3 million farmers each doing this causes a very large drop in prices received by farmers. The nature of demand for food and clothing is such that a small percentage increase in supply or decrease in demand will cause a six-times greater percentage drop in prices received by farmers.

Coupled with these adverse terms of trade for farmers is the tendency for improved farm technology to cause farm production to increase faster than population and improving diets even if special governmental consumption expanding measures are put into effect.

With family farmers under these adverse terms of trade, sliding scale price policies brought farm price drops which in turn lowered gross and net farm family incomes and were the immediate cause of the developing depression in rural areas.

Mexican labor importation continued

Although the number of unemployed in the United States increased from 1.7 million in 1952 to 3.2 million in 1954, the program to import cheap farm labor from Mexico for employment on larger-than-family farms was extended. While this program provides an inadequate minimum wage requirement for imported Mexican labor, United States citizens who work in large industrialized farm units are not protected even to that inadequate extent. Efforts to extend coverage of the United States minimum wage law to industrialized agricultural production and processing concerns was successfully resisted.

Efforts to cut Farmers' Home Administration

The only agency of Government set up to serve as a "yardstick" family farm credit source, particularly for low-income farm families, is the Farmers' Home Administration. Although the Congress fortunately refused to go along fully, the Administration has each of the 3 years it has been in office recommended a cut in loan authorizations for that agency. Funds requested for farm and home management technical advisory and other services were cut from \$29.4 million used by that agency in 1952-53 to \$24.5 million.

Local farm and home management advisers of Farmers' Home Administration were cut from \$2,203 in 1952 to \$1,500 in 1954.

Moreover, in the early spring of 1955, the rate of interest on disaster loans made by that agency were raised by administrative action from 3 percent to 5 percent. Although Congress later reversed this action, farmers' incomes were severely reduced in the interim.

Crop insurance program weakened

The adverse effects of sliding scale farm price policies and of farm credit restrictions were made even more grievous and painful by actions taken by the Administration to raise premium charges and reduce coverage of the Federal crop insurance program. The program was completely removed from counties and crops where most needed the past 2 years.

Farm depression grows and grows

The outline of farm depression is simple and clear.

1. National economic policies of the past 36 months did not provide for or allow a sufficient national economic growth rate to prevent falling farm prices and income in the absence of a firm farm income protection program.

2. Instead of firm farm supports, the sliding scale policies were placed in operation.

3. Average prices received by farmers dropped by 19 percent from 1952 to 1955.

4. Consequently gross farm income dropped by \$4.7 billion in spite of an 8 percent increase in physical volume of farm markets.

5. Consequently net farm income dropped by 29 percent.

6. Unless currently scheduled sliding scale farm price plans for 1956 are reversed, a further drop in farm family income in 1956 is certainly to be expected.

Chronic rural poverty

The recently growing farm depression brought on by inauguration of sliding scale farm price support policies has compounded an underlying problem of persistent rural poverty in areas where the basic disabling farm factors of insufficient family farm credit and farmers disadvantageous terms of trade have resulted in long-existent pockets, communities, and areas of persistent and debilitating rural poverty. Your subcommittee made a thorough study of these distressed rural areas in 1949 at which many witnesses, including a representative of the National Farmers' Union as well as the then Secretary of Agriculture, presented complete and clear data describing the nature and size of this problem of chronic rural poverty in people, institutions, communities, and areas. Exhaustive analyses of 1950 census data bearing on this problem have been published. More recently the Department of Agriculture has submitted a complete report to Congress based largely upon 1950 census data.

Limited data that have been published from the 1955 census of agriculture indicates that this problem of abject poverty among full- and part-time farm operator families still existed in 1954 in some areas and in an event greater relative degree of poverty than in 1949.

Changes in chronic rural poverty since 1950

Published official data are not yet available to make a complete analysis of the size and character of the chronic poverty among family farm operators in 1955. However, publication of census tabulations for Arkansas and some other States provide some basis for assessing the trends.

The number of low-income, part-time farms in Arkansas dropped from 26,713 in 1950 to 20,104 in 1954. The number of commercial farms with gross sales of products of less than \$5,000 fell by almost one-third, from 97,500 to 67,200. This occurrence would indicate progress if large numbers of these families had climbed to higher income status.

Comparison of census figures for 1954 with 1950 for number of family farms with gross income from sale of products of more than \$5,000 indicates that very little if any of such a hopeful trend did occur. The number of farm units in Arkansas with sales of products between \$5,000 and \$25,000 per year rose by only 4,400 for 1950 to 1954.

At least 30,000 or more low-income full- and part-time farm families in Arkansas did not climb to a higher farm income status but left farming entirely.

Over the same period of years the number of farm production units with sales of more than \$25,000 almost doubled.

Not due to elimination of sharecropper system

Nor were these trends due to the elimination of the sharecropper plantation system of farming in bottom-land areas of the State. The number of sharecroppers in Arkansas dropped by less than 6,000 from 1950 to 1954, and in the latter year there were still 23,000 sharecroppers in the State. For other tenure groups the drop in numbers were:

7,000 fewer crop-share tenants, 1,000 fewer part owners, 2,000 fewer cash tenants, and 16,000 fewer full owners.

Altogether there were 10,000 fewer nonwhite farm operators and nearly 30,000 fewer white farm operators in Arkansas in 1954 than in 1950.

Texas shows same trends

In Texas, for which 1955 census data have also been published, there was practically no increase in the number of farm units with gross sales of more than \$25,000.

However, the number of Texas farms with gross sales of less than \$5,000 dropped from 141,000 to 112,000, while the number of farms with sales between \$5,000 and \$25,000 dropped from 72,500 to 57,100.

The number of tenant farmers in Texas dropped by 24,000 and the number of full-owner operators dropped by 14,000.

The same trends indicated by these Arkansas and Texas figures are also mirrored by 1955 census figures that have been published for Oklahoma, Wisconsin, Minnesota, Montana, Kansas, Colorado, North and South Dakota, and Tennessee.

This admittedly incomplete data suggests that the size of the problem of chronic farm poverty has primarily been reduced not by improved status on the farm. Rather, there is less farm poverty because so many poor farm families have been forced off their farms.

I do not object to farm families wanting to move to the city. What I do object to is their being forced by economic circumstances to do so. There is an important distinction between these two types of outmigration in agriculture.

This is the place where the growing farm depression of the past 3 years intertwines with chronic farm poverty. Sliding scale farm policies have reduced chronic farm poverty by driving family farmers off the farm into towns to get city jobs or go on public relief rolls.

To the extent that these families who have been forced off their farm have found improved economic opportunities, this is, perhaps, progress; but to the extent that urban insecurity and low urban income are substituted for rural insecurity and low income, this is retrogression.

Migratory farm labor

Probably the most abject area of rural poverty in America is on some of its richest and most productive farmlands. I invite the attention of your subcommittee to the report of President Truman's Commission on Migratory Farm Labor. I shall not here attempt to repeat the description included in that report of

the very severely limited economic opportunity, low wages, and poor living and working conditions of these 1 million workers whose extremely weak bargaining power makes them a chronically distressed and disadvantaged class in American agriculture.

May I point out, however, that the ability of industrial agricultural managers to exploit its migratory hired labor is a disadvantaging factor not only for the unfortunate 1 million workers involved but also to the 4½ million families who operate full- and part-time family farms.

Solution not simple

You have asked me to comment on promising avenues along which we may expect to find solutions to the twin problems of farm depression and chronic farm poverty. I deeply appreciate your giving me the opportunity to do so.

There is no simple panacea that will cure the twin problems of the growing farm depression and chronic farm poverty. What is required is a broad comprehensive full parity family farm income protection program for family farm operators supplemented by extension of minimum-wage legislation and the protection of collective bargaining and other protective labor legislation to hired farm laborers and by repeal of the foreign farm labor importation subsidy law.

I have tried to indicate in the preceding sections that the root causes of both chronic rural poverty and of the growing farm depression are:

(1) The adverse terms of trade and weak market bargaining position of family farm operators and hired farm labor; and

(2) The lack of sufficient available credit adapted to family farm needs.

Only a major nationwide, comprehensive program that will correct and overcome these basic conditions will bring any substantial improvement in the conditions of 4½ million full- and part-time farm operator families and 1 million migratory farm laborers who suffer from chronic poverty and bring a substantial reversal of the growing general farm depression.

NATIONAL FARMERS' UNION FULL PARITY FARM INCOME PROGRAM

Recent proposals of the administration to step up research and extension of educational efforts among low-income farm families are laudatory as far as they go. But it will take more than research, additional assistant county extension agents, and exhortations of conventional credit agencies to correct the problem of spreading rural poverty in America.

The following is a brief outline of specific steps I feel are the minimum that must be done if rural poverty is to be eliminated in America instead of being further augmented as it being done by existing Federal farm policies.

- I. Establishment of a yardstick family farm loan agency.
- II. Expand human use and demand for farm commodities.

A. Domestic consumption expansion:

1. Expanding full employment economy.
2. National food allotment or stamp plan.
3. Expand school-lunch program to all schools.
4. Federal financing of 2 half-pints of milk per school child per day.
5. Credit program to encourage improvement of terminal markets for perishable farm commodities.
6. Better terminal market inspection of perishables.
7. Provide more nearly adequate nutrition standards for public institutions.

B. Expanded exports:

1. Additional international commodity agreements.
2. International food and raw materials reserve.
3. Expand Agricultural Trade Development and Assistance Act.
4. Expand point 4 program of assisting free world economic growth and development.
5. Continue and use Reciprocal Trade Agreements Act.
6. Trade adjustment aids to United States industries, communities, workers, and farmers injured by tariff and import quota reductions.
7. Customs simplification.

III. Fair trade for farmers.

- A. Enactment of mandatory farm price supports for family farm production of all commodities at 100 percent of a fair parity, using

- production payments as well as loans, purchase agreements, and purchases as methods of support.
- B. Expand Federal crop insurance program.
- IV. Keeping supply marketing in balance with augmented demand.
- A. Establish conservation acreage reserve.
- B. Revise and extend marketing quotas.
- C. Marketing agreements and orders.

YARDSTICK CREDIT AGENCY FOR FAMILY FARMERS

The Farmers Home Administration should be immediately transformed into a fully adequate yardstick family farm loan agency by enactment of improved farm credit bills that have been introduced in the Senate by Senators Sparkman, Kefauver, Kerr, and Humphrey (S. 1199 and S. 2106) and in the House by Congressmen Wright Patman (H. R. 4300), Polk (H. R. 2174), Lester Johnson (H. R. 2410), and Knutson (H. R. 3784) ; or a new bill incorporating their features.

The credit needs of family farming are tremendous and growing. Credit should be available at the times needed and its terms and conditions should be adapted to characteristics of farming as a combined business and way of life.

Much of the credit needs of family farming can be and are being met by loans obtained from private individuals and such credit institutions as banks and insurance companies. Farmers themselves can meet many of their credit needs cooperatively through the institutions of the farm credit system and through organizations of credit unions and similar institutions. Altogether it should be expected that these sources should supply the great bulk of the credit needs of family farmers. However, inasmuch as all of these institutions must obtain their funds from commercial money markets and conduct their operations along traditionally conservative financial lines, they find themselves unable to perform the entire farm credit job.

Such institutions find it difficult to pioneer in the meeting of newly recognized or newly emerging farm credit problems. They are not set up to use their credit resources to meet the high risk needs of severe disasters and emergencies, economic or natural. They cannot afford to participate in credit operations when a relative high intensity of technical assistance and loan servicing are required to render loaning activities essentially sound from a strictly financial viewpoint. Moreover, all of these private individual and corporate and cooperative institutions have a market tendency in the absence of outside stimulation to become traditional custom bound, and increasingly restrictive in their credit policies.

There is nothing morally wrong about this nor even economically unsound. It just means that the legitimate interests of family farmers require a separate supplemental and yardstick credit operation. This can best and most efficiently be supplied to the Nation by a Federal Government. Such an agency should have the legal authority and sufficient funds to meet all of the family farm credit needs not filled on reasonable terms by private cooperative and other corporate lending agencies.

This is more than a problem, but includes that of enabling young farmers to get started in farming, of enabling low-income farm families to broaden their economic opportunities and earning power, of helping the victims of disaster situations to rehabilitate their operations. It is a need that extends across the board to other and more fortunate family farmers as well as those named. Such an agency would stand ready to meet any legitimate farm credit need not met by existing private agencies on reasonable terms. The agency would both make direct governmental loans and would insure loans of private lending agencies.

To meet this need National Farmers Union continues to urge adoption by Congress of legislation to establish a Federal family farm loan agency that will serve in a yardstick capacity to make available to family farmers all types of required credit adapted to family farm needs in appropriate amounts on reasonable terms where the family is unable to obtain such credit from established private sources.

The need for expansion of yardstick family farm credit is particularly severe in areas of high-risk farm production, in areas characterized by a high proportion of extremely low-income farm families, and to help beginning farmers to get established on fully adequate units.

For each of the latter groups particularly and for certain other situations, adapted credit must be combined with the intensive type of farm and home management technical assistance that formerly was a major part of the loan servicing of Farmers Home Administration and its predecessor agencies.

Provision of such yardstick family farm credit would eliminate one of the major causes of rural poverty and farm depression.

Fair bargaining power for farmers and farm labor

The other important element of the program needed to abolish rural poverty and to enable farmers to pull out of the depression into which they have been pushed by the sliding scale program is a series of programs to even up the scales of bargaining power so that family farmers and farm laborers will be assured of fair treatment in their economic relations with big industry and big business. In my opinion this means the inauguration of a full parity family farm income protection program and special protective legislation for hired farm labor.

Income protection for family farms

National Farmers Union continues to urge the enactment of laws requiring the Government to use production payments and price-support loans, purchase agreements, and purchases to maintain the returns per unit of commodity of the family farm production of all farm-produced commodities at 100 percent of a fair parity price.

Parity price.—Parity for any farm commodity should be figured as the return per unit of the commodity that would give farm families who produce it an opportunity to earn the equivalent income and purchasing power that can be earned by people in other occupations in an expanding full-employment economy.

Family farm volume protected.—An individual farm family would be eligible to obtain payments and price-support protection on their sales only up to the maximum volume of a family farm.

Methods of support.—Price supporting Government purchases of commodities would be used only where required to relieve temporary seasonal market gluts and where either the commodity can be economically stored from year to year or where specific useful noncommercial outlets are in sight for the commodities purchased. Price supporting purchase agreements and nonrecourse price-support loans would be used to even out seasonal patterns in prices, prevent gluts at harvest time, and to maintain orderly marketing and market stability. Government purchases, unrelated to the income protection program would also be used where needed to develop and maintain the national safety reserve, strategic stockpile, or ever normal storehouse of food and fiber commodities. But primary reliance for commodity income support would be placed upon use of compensatory production payments direct to farmers to make up the margin by which market prices received by farmers fell below the parity level for that commodity.

Crop and livestock insurance.—Farm commodity-production payments and price-support programs protect farmers against unfair economic hazards resulting from their weak bargaining power in the market. They do not help at all in case of livestock loss or if a crop is a failure because of drought, flood, insects, or other natural disasters.

To fill this need, National Farmers Union urges adoption and rapid expansion of the Federal crop insurance program. Its provisions should be expanded to farm livestock. The fundamental idea of this program is that Americans never do sit idly by as their neighbors in another part of the country are subjected to great loss and destruction due to natural causes. Billions of dollars of relief funds in past years have been expended to overcome the suffering due to drought and such after they happened. The idea of crop insurance is that people in the Nation, by paying the administrative and experimental costs of such a program, enable farmers through the annual payment of premiums to insure themselves against the income loss due to natural hazards. And thus reduce the future need for special disaster relief expenditures.

Maintain expanding full employment economy

National Farmers Union supported the original enactment of the Employment Act of 1946. We continue to urge that the Federal Government utilize its program and resources to promote maximum employment, production, and purchasing power and foster free competitive enterprise and the general welfare.

Farm people, we believe, have a uniquely significant interest in the development and maintenance of an expanding full-employment economy. Economic history of the last 45 years clearly indicates that farm-family incomes fall in any year when the total national economy grows by less than 10 percent per year. This history, also, shows that in years when less than 2.5 percent of the labor force was unemployed the farm parity ratio averaged 105. When between 5 and 10 percent of the labor force was unemployed, the farm parity ratio averaged 91; and when more than 20 percent were unemployed farm parity ratio was only 71.

Expanding domestic consumption and market demand

Effective advertising and merchandising of farm-produced commodities are of some value in expanding domestic markets for farm products. But they cannot be relied upon to bring about any very large expansion in the total United States demand for all food and fiber. The Nation's leading economists are agreed that the only way to very greatly increase consumer demand for food and fiber is through increased purchasing power of groups of consumers that do not now have sufficient buying power to buy the food and clothing they need and want.

The largest untapped market for farm products is made up of the unemployed, the dependent widows and children, permanently handicapped and disabled, the aged, and other low-income consumers. These people, with incomes from private and governmental sources of less than \$1,000 per person per year, simply do not have enough purchasing power to maintain all the other needs of life and still spend as much for food and clothing as they want and need for adequate standards. These people want to buy more. They will accept commodities provided by Government distribution, but they would prefer to be able to buy them at regular stores like anybody else.

To make this possible, and bring about a vast increase in United States consumption of food commodities, National Farmers Union continues to urge:

Adoption of a nationwide food allotment stamp plan;

Expansion to all schools of the national school-lunch program now serving less than one-third of the schools;

Improvement and expansion of the fluid milk for school children program to provide free at least two half pints of milk per child per day and pay local school district administrative costs;

Adoption of improved Federal standards and inspection of perishable farm commodities in terminal, as well as shipping, markets with adequate Federal financing;

Adequate nutrition standards for the Armed Forces and veterans' hospitals, penal institutions, hospitals, and other public and private nonprofit agencies by means of commodity donation or food subsidies;

Adoption of a credit program to encourage modernization and improvement of perishable farm-commodity terminal markets.

The fluid milk for schools and expanded school-lunch programs particularly need expansion in areas of a high proportion of low-income families and of migratory farm laborers. Adoption and implementation of the nationwide food-allotment stamp plan would mean a very great deal to migratory farm-workers and low-income farm-operator families. It should be kept in mind that more than 50 percent of all American families who have incomes of less than \$2,000 are farm-operator families, about 3 million of them. Another 1 million of the lowest income United States workers are migratory farm laborers. Thus over two-thirds of those who would be eligible for income augmentation under the food-stamp plan would be families who live or work on farms.

Expanding foreign consumption and market demand for United States farm commodities

Many United States produced farm commodities, up to 10 percent of total production, must in normal years find a market outside our national boundaries. This market can and should be expanded. Additional agricultural attachés and improved advertising and merchandising will help some. But just as in the case of domestic market, the really big increases in market demand for United States produced farm commodities can come only from increased purchasing power in foreign countries, or from United States Government purchases designed for foreign shipment. We are convinced that this total can be raised from the current annual export sales of about \$3 billion to at least \$4.5 billion by the combined and coordinated use by our Nation of the following (and we will be protecting our farmers at the same time, by intelligent methods, rather than restrictive ones, against the ill effects of imports that compete with United States farm products):

Negotiation and establishment of additional international commodity agreements for all raw materials that enter importantly into international trade, similar to the International Wheat Agreement, which will bring into agreement all of the importing nations as well as all of the exporting nations for each commodity;

Negotiation and establishment of an international food and raw materials reserve or clearing house, to stabilize supplies, relieve famines, and stabilize prices of all food and other raw material commodities that enter importantly in international trade;

Expand the authorizations of the Agricultural Trade Development and Assistance Act to provide for \$1.3 billion per year of donations and sales for soft currencies of United States farm commodities instead of the \$600 million per year now authorized and expand the purposes for which donated commodities and loans of soft currency may be used to include establishment and operation of systems of universal free general and vocational education in nations of the free world where such do not now exist;

Continuation and intelligent expansion of the point 4 program of United States aid to economic development of other free nations in a way that will increase coordinated economic growth of the nations of the free world;

Continuation of the reciprocal trade agreements providing for worldwide tariff reductions and customs simplification backed up with programs of readjustment aids to United States farmers, workers, industries, businesses, and communities whose economic situation is temporarily disadvantaged by a United States tariff or import quota cut.

Keeping farm marketing in balance with augmented demand

Vastly expanded exports and increased domestic consumer demand for United States farm commodities would be augmented speedily by adoption of the programs discussed earlier. However, such increases would not in any particular year be evenly spread over different commodities. Nor is it likely that increased or decreased production due to technological development and weather conditions would be spread evenly over all commodities. With output of a farm commodity expanding faster than augmented demand in any particular year or over a period of years, this has a depressing effect upon prices received by farmers and farm family incomes.

Production payments and price support loans and purchases should be used to keep farmers' returns at the parity level for short periods of time but will soon become worn out if used too constantly.

To remove the strain of constant heavy use from the support program, National Farmers Union continues to urge Congress to adopt realistic workable programs that farmers can use to keep the market supply of farm commodities in reasonable balance with export and domestic consumer demand as augmented in the ways discussed earlier.

The marketing adjustment programs urged by National Farmers Union are: (1) Conservative acreage reserve; (2) revised and extended marketing quotas authority; and (3) marketing agreements and orders.

Conservation acreage reserve.—The most important of these in terms of the number of farmers benefited is the conservation acreage reserve. Under this program the Secretary of Agriculture would determine the number of acres of farmland not needed in the year ahead for production of home-use and commercial sale of crops, including hay. The Government would then stand ready to contract with farm operators over the country to put as much of their land into the conservation reserve as each individually cared to, receiving in return a conservation award per acre equal to usual cash rent or customary landlord's share for putting the land into its optimum conservation conditions. If special facilities, land treatments or construction were required the farmer would be eligible, in addition, for an agricultural conservation payment under the ACP program to defray a part of the cost. In case more acres were made available for the reserve than the national total, the Secretary would assign each State and county its proportionate share of the national total. An individual farmer could offer to place all, a part, or none of his farmland into the reserve. The maximum conservation award would be \$2,000 to any one farm family.

The conservation acreage reserve would be made up of two parts: (1) So-called diverted acres (land not needed for production of crops subject to marketing quotas), and (2) land diverted from all soil depleting uses. The Secretary of Agriculture would determine the latter by using official statistics to calculate the amount of farmland needed in total to fill augmented domestic consumer demands at a full employment level of national economy plus expected exports. To the figure so obtained he would add the diverted acres unneeded for production of specific commodities by virtue of the operation of marketing quotas. This latter would make it possible for wheat producers, for example, to use land, not needed for wheat, for any use they pleased, except wheat, or to add it to the national conservation reserve, if they so desired. This would largely prevent the use of diverted acres from one crop being used to unduly increase the market supply of another commodity and thus lower its prices and the farm-family income of its producers.

The value of the conservation acreage reserve to the Nation and its farmers results not only from its significant contribution to greatly reducing the drain upon our soil and water resources, but also because a small adjustment of, for example, 5 percent in quantity marketed will raise farm prices and farm gross income by 4 or 5 times as much without causing a similar rise in prices paid by consumers.

The conservation acreage reserve would be wholly voluntary and existing laws prohibiting the eviction of tenants and the protection of small farmers should remain in force. The reserve would be used as a means to reduce total crop production below the level required in a full-employment economy with special food programs.

Marketing quotas.—Even with the demand-expanding programs and the conservation acreage reserve in full operation, fluctuations in weather and export demand and erratic rates of growth of improved farm technology will bring about temporary maladjustments for individual farm commodities.

To protect against the hazards of these developments and to enable dairy, egg, chicken, and livestock producers to utilize the same principle, National Farmers Union urges that the authority for farmers to make use of marketing quotas be extended to the producers of all farm commodities.

The national marketing quota for any commodity would be set at a volume of sales by farmers equal to expected total United States consumption, as augmented by the programs discussed above.

Each individual producer family would receive a pro rata share of the national marketing quota, expressed in bushels and pounds rather than acres, except for tobacco and peanuts based upon the following:

- (1) His sales in past 3 years in relation to total marketings;
- (2) Progressively heavier percentage cuts for families with larger volumes of sales;
- (3) No farm family would be reduced below a realistic minimum quota;
- (4) The individual marketing quota would be assigned to the farm operator rather than the land and would be transferable.

The individual producer would be free to produce and sell as little or as much of the commodity as he desired. If he chose to stay within the quota assigned to his family, he would be eligible to receive production payments and obtain price-support loans and purchase agreements. If he chose to sell more than his assigned marketing quota, he could do so by selling all of his marketings at the market price and paying a stabilization fee or penalty on his over-quota sales.

Adoption of the marketing quota system for any commodity would be, as now, determined by secret ballots in a referendum. Quotas would be adopted only if two-thirds or more of the producers, voting in the referendum, approved.

Inclusion of adequate minimum quotas in the allocation to individual farm families and utilization of the progressive graduation scale of the percentage cut from the 3-year base are important protections for low-income farm families in the operation of marketing-quota programs. The minimum individual family quotas provided in existing quota programs for wheat, cotton, and rice are much too small for this purpose. None of the existing quota programs except the one for sugar provides for larger producers taking heavier cuts than small producers.

Improved status and bargaining power for migratory farm workers

The 1951 report of President Truman's Commission on Migratory Farm Workers recommended a large number of measures required to improve the lot of such workers. All of those should be adopted. The protection of the minimum-wage law should be extended to those workers. They should be protected in their right for collective bargaining the same as any other hired workers. Employers should be required to provide at their own expense sanitary, comfortable living conditions and safe working conditions. Hired child labor on corporate and industrialized farms should be prohibited by law.

To help prevent the further growth in the number of factories in the field care should be taken by Congress to see that the 160-acre limitation is included in every law authorizing a land-reclamation project and the executive branch should be watched carefully to see that this requirement is not breached in administrative practice.

The Mexican farm-labor importation law should be repealed.

Summary

Federal actions needed to rehabilitate our depressed rural economy and to abolish rural poverty needs to be composed of a complex of specific phases dis-

cussed above that will eliminate or overcome the three major forces that cause these conditions:

1. A firm adequate family farm income protection program is needed to replace the existing sliding scale farm price support program to even up the now very weak bargaining power of family farmers in the so-called free market;

2. A firm Federal regulatory program to protect and improve the bargaining power of hired farm labor; and

3. A yardstick family farm loan agency should be set up to overcome the currently debilitating scarcity credit, adapted to family-farm needs, particularly low-income farm families.

In all phases of these programs, care needs to be taken to insert specific proposals that will increase their services to small farms and will not contribute to expanding the number of larger-than-family farms. Provisions such as the following:

(a) Authorization and appropriation of adequate funds to the yardstick credit agency to enable it to employ farm and home management technical advisory workers to work with borrowers who need that assistance.

(b) Eligibility of any one family for production payments and for price-support loans and purchase agreements should be limited to the maximum production of a fully adequate family farm.

(c) Those farm-family members who desire to obtain part or full time off-farm jobs should be provided special vocational training and job-finding assistance in an expanding full-employment economy.

(d) Special provision should be made in administration of the national food allotment stamp plan when one is adopted to see that low-income farm-operator families and farm-labor families are made eligible for participation.

(e) Special efforts should be made to expand the school-lunch program and the school fluid-milk program in low-income rural areas.

(f) Special legal protection should be written into any conservation acreage reserve that is adopted to be sure that tenant or sharecropper families cannot be evicted by their landlords as a result of operation of the program; to keep the program completely voluntary to the individual farm family; that a limit of not more than \$2,000 be applied to reserve payments.

(g) In the operation of marketing quotas, an adequate minimum for each participating family should be provided and the required cut from the base should be a progressively greater percentage as the volume of base sales increases.



Matt Triggs, assistant legislative director, American Farm Bureau Federation

LOW-INCOME FAMILIES IN DEPRESSED RURAL AREAS—REHABILITATION OF DEPRESSED RURAL AREAS

The American Farm Bureau Federation is an organization of 1,609,461 farm families who are voluntary members of 2,700 county farm bureaus located in 48 States and Puerto Rico.

We have a major interest in the problem under consideration by your committee. A substantial percentage of the rural people whose problems are the subject of the committee's consideration, are farm bureau members. A summary of the distribution of our membership by State and region is attached hereto.

Our interest in this problem is indicated by the attached discussion outline entitled "How Shall We Increase the Opportunity To Improve Income—For Small, Low-Income and Part-Time Farmers?" This discussion outline was made available to county farm bureaus as the basis for the consideration of this issue at local and county farm bureau meetings during 1955. The views of our members with respect to this issue, resulting from such consideration, will be reflected in our 1955 policy development program, which will be culminated by the 1955 annual meeting of the American Farm Bureau Federation next December. Our present recommendations as set forth in this presentation, are, therefore, based on our present policies, and do not reflect the further study of this problem by our membership during 1955. Following our annual meeting and the determination of policy by the official voting delegates of the member State farm bureaus, we will welcome the opportunity to present to appropriate committees of the Congress any further policies, or revisions of present policy, as may be developed as a result of the above described process.

We welcome the consideration which is being given to this problem by the Joint Committee on the Economic Report. This consideration together with the

previous administration study of the problem, as reflected in the report of the Department of Agriculture, the Development of Agriculture's Human Resources, will, we are confident, be productive of progress toward improvement of the situation.

The existence of depressed rural areas is basically a problem of underemployment and low per capita production. Other causes, size of farm, lack of capital, inefficient use of resources, inferior tenure, lack of nearby markets, inadequate educational opportunity, low community standards, and other factors are all supplemental factors, but these are all reflected as nonproductive and partial employment.

Measures to alleviate the situation must therefore fall into three major categories—(1) Improving the productive capacity of low-income farmers, (2) improving employment opportunities in rural areas, (3) a combination of (1) and (2) for those engaged in agriculture on a part-time basis, and (4) improving the ability and opportunity of the individual to seek employment elsewhere.

It is our belief that every reasonable effort should be made toward improving the status of low-income rural people by measures designed to improve their status in the areas in which they now reside—but we also need to recognize that where the resource base is inadequate to accomplish this objective for all those who may be resident in an area, that it is in the interest of the people involved and in the public interest, to encourage a movement of a portion of such persons to circumstances in which they will be provided better opportunities than those now available to them.

A most encouraging development in many areas is the extraordinary improvement in social and economic conditions associated with the location of new industry in depressed rural areas. Experience has indicated that despite lack of experience and training in industrial operations, the great majority of farm and other rural people can quickly acquire industrial skills. Wherever new industries have been attracted to an area, economic life is quickened, opportunity for employment and advancement in skills and earnings are provided a great number of people, new markets for farmers are created, and social and living conditions in the area and in surrounding areas are significantly improved. Just as important as the large new plant is the comprehensive and progressive development of existing business and commercial operations.

A second major change which has or is taking place in many areas is the extent to which land resources are being more efficiently utilized. The number of small, unproductive farms, on which the resource base is inadequate to sustain a productive and a prosperous agriculture, are declining in many areas. Individuals are acquiring sufficient land to provide them with fuller and more productive employment, or alternatively, are moving into better job opportunities in industry or commerce. A shift from hillside row-crop farming to pasture and livestock production is taking place throughout extensive areas in Southern States and in many instances represents a use of land which is more appropriate to its character and productive capacity.

A third major change significantly improving the economy of many areas is the increased value of forest production resulting from the expanding requirements of our technological society for ever increasing quantities of paper and paper products. Tremendous potentialities exist for further increases in production and employment in the forestry industry, which with some exceptions is located in geographic areas in which rural underemployment has continued to be a major social and economic problem.

It is our belief that these three developments have contributed and are contributing in a fundamental way to the improvement of social and economic conditions in many depressed rural areas—and that further progress in the future is likely to be accomplished primarily by the same means—that is, by expanding employment opportunity and improving the efficiency of the use of resources.

In order to provide the conditions in which individual initiative may be effectively applied in the future, as it has been in recent decades, toward improvement in the economic and social condition of depressed rural areas, we wish to submit the general and specific recommendations set forth below. In submitting these recommendations we do not wish to imply that nothing has been done in these respects. We feel that much has been done, and that what has been done has represented real progress, and that the accumulated impact of much that has been done, plus intensification of effort in certain respects, insures continued progress for the future.

Our recommendations are as follows:

1. That educational opportunity in rural areas be improved. This is probably the most significant single measure. A good basic education not only makes it

easier for those remaining in agriculture to benefit from research and extension programs, but also facilitates the movement of rural people into nonagricultural employment, where local land resources are inadequate to provide opportunities for all farmers in the area. Furthermore, education tends to stimulate the desire for improvement in living standards and better opportunities for members of the family.

2. That emphasis be given to vocational education in industrial subjects. The American Farm Bureau Federation has historically supported appropriations for vocational education. In many instances vocational education in agriculture is still inadequate. In other instances the number of students enrolled in vocational agriculture courses is in excess of the number that can reasonably be expected to engage in agriculture in the area upon graduation from high school. What is needed is a balance between vocational education in agriculture and in industrial subjects. In many instances this means a substantial expansion in industrial vocational education.

3. That lending operations of the Farmer's Home Administration be geared toward the creation of economic-sized farm units on which the individual has an opportunity to use his labor and management on an efficient and fully employed basis. In many instances this means the acquisition by the individual farmer of sufficient acreage to economically support the machinery and equipment which is necessary to insure increasing per capita production and improved earning capacity. In other instances this may mean improved use of land resources already available to the individual.

4. That agricultural research and extension programs be continued, and expanded where inadequate. Despite current farm income and surplus problems, it is nevertheless true, as a general rule, that farmers with an adequate resource base, who use their resources efficiently to obtain high per-man production, are earning substantial incomes. On the other hand, there is no possibility whatsoever, that farmers with low per-man productivity can ever attain a satisfactory income level from farming. With the technical changes going on in agriculture, any individual who does not keep up with scientific progress and more efficient production methods—who does not increase per-man production each year—is not likely to share adequately in the American standard of living. In this connection it is perhaps true that there is some tendency for farmers in efficient agricultural areas to improve their efficiency and technology at a more rapid rate than those in less efficient areas. Emphasis upon the application of technological improvements in less efficient areas is imperative if these areas are not to fall further behind in the technological parade.

5. That we avoid provisions of national farm programs which operate to fragmentize national allotments and quotas (by minimum allotment and new-farm allotments) among a larger and larger number of farmers, each with a smaller and smaller percentage of the total right to produce. Any assumption that the welfare of rural people is improved by dividing up the right to produce on a per capita basis is erroneous. This is not the way toward improved per capita incomes in agriculture. This is the way to regulated and stabilized poverty in agriculture. This is not the place for a detailed review of farm-price policy. We would, however, like to state for the record at this point that the loss of markets, resulting from rigid price support programs and the limitations on opportunity by reason of the production controls necessitated thereby—have been a substantial factor in reducing farm incomes in many agricultural areas. It is important that we appreciate that programs having immediate and apparent favorable effects on farm income may have long range adverse consequences far more significant in their impacts on the incomes of farm people.

6. That State governments adopt taxation, educational and regulatory programs designed to promote efficient use of land for timber production. The area of low rural incomes is nearly contiguous with areas of actual or potential timber production (see map, p. 196 of characteristics of the low-income population). The growing market for forestry products, particularly paper and cardboard, is one of the major economic factors in the current national picture. Most timberland, and particularly land owned in small tracts, is managed to produce only a fraction of optimum production. Millions of acres of forest land could produce much larger amounts of better quality forest products than they are—and provide the basis for a substantial increase in employment in the area. This is of particular significance because employment in the forest industry can readily be adjusted to fill in the gaps in agricultural employment.

7. That State governments recognize the need to establish more specific and protected rights to utilize water resources. Although most Southern States have an ample water supply (as compared with other areas) in general the develop-

ment of industry is handicapped to some extent and is likely to be handicapped to a greater extent in the future by the inability to obtain definite assurance of future water supplies.

8. That State governments of States having areas of rural unemployment continue and expand their programs to provide industrial concerns with information with respect to the advantages of locating industrial plants in the State.

9. That industrial concerns give consideration in their plans for future expansion, to the desirability of dispersing and decentralizing their operations by the location of plants in areas of rural underemployment.

10. That we avoid Federal wage fixing. This is not the place for any comprehensive analysis of the economic and political implications of wage fixing. But this should be said: Whatever other arguments and factors are involved—the certain impact of wage fixing by Government under the Walsh-Healey and Davis-Bacon Act, or of fixing minimum wages under the Fair Labor Standards Act at too high a level, is to discourage in a major way the development of industry in depressed rural areas. By such action we insure the preservation of rural poverty in many areas that could be significantly alleviated if we were to permit and encourage the employment of surplus workers in such areas.

The problem of improving the earning capacity of our low-income population is not a problem that will readily yield before any single approach. It is a problem of individuals—and inevitably it will be solved (and no problem is ever wholly solved) individual by individual. Government—local, State, and Federal—has a responsibility to aid and promote this process, but governmental assistance should be primarily directed toward opening doors of opportunity to the individual.

State farm bureau membership—1954—by State and region

Western region :		Midwest region :	
Arizona	3, 591	Illinois	200, 347
California	59, 863	Indiana	116, 688
Colorado	10, 863	Iowa	138, 912
Idaho	14, 069	Kansas	67, 305
Montana	2, 972	Michigan	62, 981
Nevada	1, 365	Minnesota	32, 920
New Mexico	8, 116	Missouri	49, 198
Oregon	7, 036	Nebraska	16, 588
Utah	7, 524	North Dakota	10, 205
Washington	4, 844	Ohio	48, 917
Wyoming	7, 533	South Dakota	2, 307
		Wisconsin	34, 506
Total	127, 276	Total	780, 874
Southern region :		Northeast region :	
Alabama	74, 707	Connecticut	5, 529
Arkansas	55, 881	Delaware	758
Florida	15, 856	Maine	769
Georgia	40, 521	Maryland	10, 023
Kentucky	72, 775	Massachusetts	4, 481
Louisiana	16, 838	New Hampshire	5, 136
Mississippi	46, 125	New Jersey	7, 910
North Carolina	71, 056	New York	77, 157
Oklahoma	40, 006	Pennsylvania	3, 460
Puerto Rico	5, 104	Rhode Island	286
South Carolina	17, 778	Vermont	8, 267
Tennessee	48, 878	West Virginia	3, 588
Texas	55, 744		
Virginia	12, 678	Total	127, 364
Total	573, 947		

United States total, 1,609,461.

PROBLEMS OF LOW-INCOME FARM FAMILIES

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At a time of booming national economy and an optimistic industrial outlook it is difficult for many people to realize that the agricultural segment of our economy faces serious problems and an outlook much less rosy. Furthermore, when one considers only averages and national figures it is easy to overlook the economically depressed condition of large numbers of farm people who live on very small or low-producing farms and must be classed, by any standards, as low-income families. It is difficult to realize that in America at midcentury approximately a million and a half farm families had cash incomes—from all sources—of less than \$1,000 and that some 2 million farm families were attempting to make their living from farms having a gross value of products amounting to less than \$2,000.

The problems are both national and localized

The problem of low-income farmers is not confined to any one locality, area, or region. It is national in scope, and there are some low-income families in most agricultural areas that are otherwise generally prosperous. But the problem is most acute in a few areas where small-scale low-producing farms predominate. These are areas where improved practices in farming have been slow to come about and opportunities for other employment are limited.

Where low-income rural families are thus concentrated in a particular area rather than dispersed among others in a more varied population, there has usually developed a characteristic "way of life," that all families share and which differs from the patterns of living in other parts of American society. The area of concentration may be small, as in an open-country neighborhood with only a few families.¹ It may include only a single community as an island in a specialty type-of-farming area, or it may be a region such as that of the southern Appalachians, embracing more than 200 counties in portions of 9 States.

In fact, the plight of the small farmer and low-income rural family is conspicuously typified in the southern Appalachian region which is one of the well-known focal points of low agricultural income in America. Our colleges, universities, experimental stations, extension services, and numerous other institutions in or near the southern Appalachian region have for many years studied the situation there. Generalizations can therefore be presented here in brief summary form, although capable of extensive development and documentation.

Assertions made in this statement can be validated especially by reference to studies of the Kentucky segment of the Appalachians, with confidence that for the most part they apply to the whole region and to large parts of the South-eastern United States, the Ozark country, and other places of small farms, small production, small incomes.

Regional problems have national consequences

Problems and effects of low farm income are not merely local. Our people today get around over the country, and countless thousands change residence and jobs very readily in response to improved opportunity. Many of the youths who grow up and receive their schooling in low-income rural areas spend most of their adult lives in highly industrial areas in other States. Obviously, it is to the interest of the communities and States where they spend their working years that they come well prepared to make a full and worthwhile contribution to their new homes. The entire Nation has a stake in the educational opportunities in every section.

¹ For example, in counties of commercial agriculture, certain neighborhoods have been found where farmers have not taken up the recommended improved practices in farming that have been widely accepted in other parts of the same counties. This nonacceptance of new methods is a clue to distinctive way of life, only one part of which can be accurately described as that of "low-income."

There are sound economic reasons for tapping the tax resources of the Nation to support educational and other institutional services in areas which do not have adequate tax resources to support those services themselves. Our present economy is such that wealth, and therefore taxpaying ability, tends to be drawn from wide areas and concentrated in highly industrialized centers which sell their products all over the country. The wide areas contribute directly to the concentration of wealth in the industrialized centers.

While we should not lose sight of local and State responsibility, the fact remains that the responsibilities and the ways of meeting the needs for educational and other services in the rural and less-complex society of former days no longer are adequate. It therefore seems logical that the Federal Government should assume some of the responsibility in seeing that adequate educational facilities and services become available in the small-farm low-income rural areas. This should be done not in a spirit of charity but in a strong sense of obligation and responsibility.

The extent of the southern Appalachian region

Nearly every writer about the southern Appalachian region gives it a somewhat different map. This is to be expected, since the area is not everywhere sharply distinguishable from adjacent territory. For different purposes, it is reasonable to include different areas. However, the various delineations do not differ greatly.

One of the best delineations, from a physiographical viewpoint, is by Marschner.² He included 236 counties comprising parts of 9 States—Alabama, Georgia, Kentucky, Maryland, North Carolina, South Carolina, Tennessee, Virginia, West Virginia. The area of this region encompasses 109,500 square miles, larger by far than any 1 of the 9 States of which it is a part, and more than twice as large as the State of New York.

More than 8 million people live in the southern Appalachian region

In 1950 this area had a population of more than 8 million. Only 4 States in the Nation—New York, Pennsylvania, California, and Illinois—had more than this. Growth of population in this region has always been very rapid until quite recently. Although the southern Appalachians had nearly 700,000 more people in 1950 than in 1940, the rate of increase during that decade (slightly more than 9 percent) was less than in any 3 previous decades. From 1930 to 1940 the population increased 12 percent; from 1920 to 1930 it increased 17 percent; and from 1910 to 1920 the increase was 15 percent.

The census of 1950 shows that this population is overwhelmingly rural. Whereas the Nation as a whole is approximately two-thirds urban, the southern Appalachian region, by contrast, is two-thirds rural.

Within the Appalachian area as usually delineated there are several large cities and considerable industry. The centers of population and industry are mostly in the broader valleys which, though surrounded by mountains, are not properly "mountain" themselves. Even in these valleys, however, the agricultural resources are not outstandingly good. Nonfarm employment opportunities partly offset this. But it is the narrower valleys and the more isolated areas that more nearly typify the area.

Kentucky's portion of the Appalachian region, commonly referred to as eastern Kentucky, is 31 counties comprising Kentucky economic subregions 8 and 9 in the United States census reports. This is approximately the same delineation as that of Marschner.

The population of these 2 subregions in 1950 was about 745,000, more than a fourth of the population of the State. The proportion of rural population (four-fifths) was somewhat higher than for the Appalachian area as a whole (two-thirds).

A region of children

Salient characteristics of the Appalachian population and society may be reflected in a few selected observations for these 31 counties in Kentucky. In 1950, children under 15 years of age constituted about 27 percent of the total population of the United States, but about 35 to 45 percent of the total population of the various countries in eastern Kentucky. Thus, in the county at the extreme, nearly half of the population was in this dependent age group of children under 15 years old. The median age of the United States population was 27 years; the

² Marschner, F. J., *Economic and Social Problems and Conditions of the Southern Appalachians* (USDA Misc. Pub. No. 205, Washington, D. C., January 1935).

median age for these ranged 3 to 10 years younger. Size of family, or number of persons per household was 3.4 in the Nation as a whole, but 3.9 to 4.1 in the 31 eastern Kentucky counties.

Education, income, and migration

The education level of the population is reflected in median school years completed by persons 25 years and over, representing the adult population. In the United States in 1950 this stood at the all-time high of 9.3 grades. Thus 31 counties of eastern Kentucky ranged from 1 to 3 grades lower.

Median income in 1949 may be taken to show all of these economic facts which are symbolized in "amount of income." Median income per household in the United States was \$2,619; it ranged from \$400 to \$1,900 less in counties under consideration. In the extreme county the figure was only one-fourth of the United States median.

Although Kentucky as a whole loses many more people than it gains from migration, the net outmigration from the 31 eastern Kentucky counties was much greater than for the State as a whole. During the first 3 years after the 1950 census was taken, for example, it is estimated that these counties lost 16.7 percent of their total population from migration. This was nearly 3 times as large as the percentage for the whole State, and 14 times as large as the percentage for the South.³ Even with these recent population losses and the long history of out-migration, it is difficult to see how even a highly intensive type of agriculture could provide productive and remunerative employment opportunities for all the people on the land.

The agricultural situation

The pattern of agricultural production has been developed to fit in with off-farm employment. Both the extent and intensity of farming change with levels of employment in nearby coal and forest industries, and with employment levels generally in the Nation. When income from nonagricultural sources is available and high, much land that is farmed in depression years is idle or largely so. Agricultural resources, especially land, are used to fall back on in case of need. Because of rough topography and low fertility most of the land is not well suited for commercial farming. However, with some saw timber and coal in many parts of the area, the small farms have been utilized for part-time and subsistence farming. But the quality and quantity of these resources are such that they provide very inadequate insurance against an uncertain future. And even in the most prosperous years the opportunities for off-farm employment within the more isolated areas are extremely limited.

The agricultural situation in the southern Appalachians may be better understood by taking a look at 32 selected counties.

Within these counties are 57,064 farms averaging about 70 acres in size but having only 26.5 acres of cropland. Estimates indicate that only 5 percent of the total land surface is really suited for cropland. This means that each farm on an average will have only 6 or 7 acres of land suitable for cultivation.

Most farms are owner-operated; the percent of tenancy in nearly all counties is below the State average of 22.5 percent. It takes more and better cropland than is found here to support a normal tenancy system. Over half (52.5 percent) of the farmers had nonfarm income that exceeded the value of the agricultural products they sold. However, 59 percent of all farmers had sales of less than \$250 (gross); in some counties the proportion was as high as 90 percent. Two-thirds of the farms in the area sold less than \$400 worth (gross), and in 1 county 96 percent of the farms sold no more than this. Three-fourths of the farms in the area sold less than \$600 worth, and in some counties 99 percent had sales of less than \$600.

Less than 10 percent of the total value of livestock and less than 10 percent of the value of all crops harvested in Kentucky are accounted for by these 32 counties which comprise about a third of the area and a fourth of the population of the State. In many counties, tobacco constituted 96 to 99 percent of the value of crops sold, but tobacco acreage per farm in these counties averaged less than one-half acre per farm. Farmers there rely on hand or one-horse methods in farming. Only about 4 percent had tractor power.

Smallness of units is of course a key to an understanding of the economy of these low-farm income areas. The farm is small in size and value; the product

³ Richardson, P. D., and Brown, J. S., Population Estimates for Kentucky Counties, April 1, 1953, Progress Rept. 14, Kentucky Agricultural Experiment Station, University of Kentucky, Lexington, Ky., October 1953.

of the worker is small; the produce of the land is small. The unit is reduced in size as the pressure of population increases.

An explanation in terms of a "way of life"

However, it must be emphasized that the situation of rural families in a low-income area is not simply one of income but is generally a complex resultant of many factors, including strong tradition and slow change. The region, community, or neighborhood of low-income rural families has typically been a resistant stronghold of a way of life. It is important to stress this way-of-life explanation of these areas in order to guard against oversimplifying an analysis of the problems in terms of 1 or 2 factors such as income or resource limitations. We do not face here one problem or the consequence of 1 factor, nor is there a solution in the adoption of 1 policy or the initiation of 1 program.

The problems are cumulative

Not only is there a high concentration of low-productivity and low-income farms, but a chief feature of the situation is a kind of piling up of other problems. The average number of grades completed in school is low. Communication and transportation are poor in general, and the rough topography in many of the areas makes improvement of such facilities more expensive than in many other areas. Birthrates are among the highest in the Nation, and though in normal or good times outmigration provides some relief from the pressure of population on resources, this and the birthrate both contribute to making the dependency ratio one of the highest in the Nation. That is, a relatively small number of people in the productive, working ages must support a relatively large number of children and old people. This increases the burden of providing educational facilities. The disproportionate number of children and old persons also increases the need for medical care, but physicians and hospitals are much less available than in many other areas. The combination of low income, rough topography, and poor transportation makes for a paucity of churches, organizations, and other institutions in the region. All of these conditions are interdependent, and no doubt each is both a cause and an effect of others. There is a "package" problem, then, and it will require a "package" of answers and a "package" policy.

In the area under consideration the services ordinarily performed by the formal organizations, established institutions, and agency programs of a modern well-developed community have been left largely to the family and the kinship group. Even neighborhood feeling and community spirit tend to be weak because the family and kinship groups have performed such a large share of the necessary functions in the society.⁴

Although membership in formally organized groups is not in itself an adequate measure of the quality of living, 1 simple statistic on this point highlights the general statement made above: Among 100 persons in the selected counties there are about 67 memberships in organizations; among 100 persons in nearby counties with commercial agriculture there are about 158 memberships—between 2 and 3 times as many.

Thus, in an area in which low-income families are concentrated, the effects of low income extend not only to the families themselves but also to the social organization and social institutions on which persons and families depend for fulfillment of their lives. Whatever one may mention—whether churches, schools, businesses, libraries, local government, civil groups—there are conspicuous deficits in the picture as a whole, though there are of course individual examples of outstanding exceptions. The strengthening of institutions thus becomes a prerequisite to personal and community development.

Ways out: Many types of proposals have been made

A catalog of the suggestions that have been made from time to time for solving the problems of the small-farm, low-income areas would be a list of many items ranging all the way from, at one extreme, a somewhat romantic exhortation to return to the simple and allegedly idyllic life of a former period or, at the other extreme, to a cold and irrational demand to "take the people out of the hills and the hills out of corn." Obviously neither of these extremes offers a practical solution.

⁴Brown, J. S., *The Family Group in a Kentucky Mountain Farming Community*, Kentucky Agricultural Experiment Station Bull. No. 588, p. 38.

Agricultural price policies do not reach these problems

Is price policy important? Agricultural price policies practically bypass the small-farm, low-income families with which this report is concerned. There are repercussions of whatever price policies are operative, but the effects tend to be indirect and of small consequence. Price policies affect directly only farmers who produce commercially. Other kinds of policies must be devised for low-income, small production rural families.

Education is a primary need

Are educational policies important? Several of the most promising policy ideas come from the study of educational problems. Children in low-income areas are numerous and dollars are few. To prepare these children for citizenship in Detroit or Dayton may prove to be as serious to Michigan and Ohio as the preparation of their own native sons and daughters. Equalization of educational opportunity among the communities of the Nation must have exceedingly high priority in the formulation of policies to help low-income families in rural areas. Certainly no other single item in a remedial "package" of constructive approach to the solution or amelioration of problems within these areas is as important as that of education—both youth and adult education.

Reinforcement of extension and research

Promotion of better farming and more enlightened economic decisions is also an objective of high priority. The system of extension services in agriculture and home economics, both the work with adults and that with children and youth, operates in low-income as well as in high-income communities, but with differential effectiveness. For best service to low-income families it needs to be evaluated and retooled to meet the specific requirements of existing resources, both tangible and intangible. This would seem to involve:

(1) Building better knowledge and public awareness of needs and possibilities; this depends upon the more vigorous prosecution of research in these fields, especially research in the agricultural experiment stations.

(2) Shifting the focus toward more intensive teaching and counseling of families on a farm-and-family-unit basis; this awaits largely the provisions of enough workers to do the job.

(3) Recruitment and/or training of extension personnel who will have interest in, commitment to, and skills for helping rural low-income families; this depends in part on college programs to train them, and salaries to pay them.

More and better research and extension services are in themselves major targets in policy development.

Social security needs reconsideration

Is social security an "out" for low-income farmers? So far as the old-age and survivors insurance program is concerned, it is not the answer for most of the low-income persons with whom this report is concerned. Their dollar incomes are often too small for them to qualify as contributing self-employed persons, and their opportunities to qualify through industrial employment are limited.

So far as aid to various categories of dependents is concerned, each variety (e. g., to the blind, the handicapped, dependent children, etc.) is important, but such aid is of a stopgap nature, is costly, and offers only small support for any individual family. For long-run improvement, more fundamental actions must be undertaken.

Better uses of resources for farming.

What about various influences that can be brought to bear to promote wiser and more productive use of land? Everything possible must be done by education to get farmers to enlarge, as much as they can, their units of tillable land; to shift from exploitive to conservational practices, letting trees recapture the hill-side cornfields; and to merge small farms into larger ones more capable of profitable operation.

Policies directed toward the release of land ill-suited to farming for public recreation and long-time timber culture will tend to prevent further spreading of the low-income patterns of living and will tend to get resources used in the ways in which they are appropriate.

Health questions

Policies in the interest of health are of paramount importance. To live adequately and to bear the responsibilities of a citizen member in a democratic society today one needs health, as much as our forefathers needed literacy. The impetus given in recent years to improve health programs and facilities in rural areas must be a continuing policy concern. Health problems are especially acute for the families in low-income areas.

Possibilities for industry

Modern industry is a giant that seems to grow from internal urges and pressures. As a usual thing, industry accumulates where it is already well developed. Some dispersal to small communities does occur, but, only intermittently and in spotted ways, and most industrial development continues to cluster around well-established and dominant nuclei. The promotion of local industry in small towns and at the mouths of mines is a worthy goal and may eventually have more results than can now be predicted. It doesn't seem possible, however, that the local industries can become so widespread as to relieve the present congestion in areas where agricultural low-income families have concentrated.

EMPLOYMENT SERVICES

Facilitating labor's mobility should be given more realistic attention in the formulation of policy and program. In our society we can't and don't want to "force" people to move toward better opportunity. Freedom of movement, above all else, means freedom to decide to move. Next it means freedom from obligations that prevent movement. Finally it means choices of destinations. Mobility is the consequence of decisions to move by all the persons involved. Better decisions can be made when there is better knowledge to permit them. This means policies to disseminate widely knowledge about locations and kinds of jobs and training opportunities, policies to minimize the risks and costs of moving, and policies to prepare the young potential migrant with skills and attitudes that are needed. For half to two-thirds of the children in the small low-income farm areas their school experiences are their orientation to urban living hundreds of miles away.

SUMMARY AND RECOMMENDATIONS

By way of summary and recommendation, it is my belief that the million and a half to 2 million low-income families on small farms in America are probably the most neglected in terms of policy and programs of any comparable group in our society. The extent and plight of this large group of our population need to be better understood by people generally, and our policy and programs pertaining to economic development of the whole population need to be geared more realistically to their needs and their possibilities.

In the consideration of remedial measures, however, it cannot be emphasized too strongly that in an agricultural area where incomes are predominately low, the effects are felt very keenly in the whole range of institutions, organizations, and services in the area—schools, libraries, churches, businesses, local government, civic service groups, institutional services of all kinds as we know them in America today. Low incomes affect the tax resources out of which local services usually are provided.

Any approach to the problem is unrealistic if it is based upon the assumption that economic progress in a given area is a matter of only local concern and responsibility. In our complex, modern, social, and industrial civilization, the various parts and areas are so closely interdependent that what affects seriously the well-being of one affects all, and is, in varying degrees, the responsibility of all.

Specifically, the following areas of program service may be mentioned, without any effort to expand or describe them in detail:

1. Perhaps the greatest need in these areas is for a more nearly adequate educational program for both youth and adults. The rapidly growing population creates a tragic and desperate situation in terms of public-school services and, although somewhat less pressing, in terms of adult education programs. Improved and adapted educational programs are imperative if any types of effort are to be fruitful or effective within any reasonable period of time in the future.

2. With the present ratio of people to land in these areas, from one-fourth to one-half of the young people approaching maturity seek employment away from

the land. If this unfavorable ratio continues, it is probable that an even larger proportion of youth will in the future seek employment off the land.

This means that in addition to improved general educational opportunities for both youth and adults, much greater attention needs to be given to vocational training that provides skills and social adjustments and adaptations that will fit the people into a modern industrial environment.

Coupled with general education and vocational training, our employment services must be adapted and adjusted within the area, not only to bring alternative vocational opportunities to the people but also to make it possible for people in these areas to move to other areas of opportunity.

3. Social security, including especially the old-age and survivors insurance program, needs to be reexamined and adapted to the extent possible to better serve the people within these areas. The program that was initiated last year is a commendable one but obviously it is not adapted to the thousands of families within these areas whose income falls below that required for participation under the acts.

4. One of the causes for inefficiency and low productivity is poor combination of productive factors, particularly as involving the important one of capital. Our credit facilities need to be reexamined and made realistic in terms of the needs of the people with low income. Considerable credit is now available for intermediate needs associated with the acquisition of farm machinery, the purchase of more livestock, and the adoption of improved practices that could raise the income of the people.

Within this area there is considerable promise if realistic practical programs are developed. Credit or capital, however, can only partially and inadequately compensate for small parcels of cropland as operating units.

5. Much additional research on the problems in these areas needs to be done. We have an accumulated backlog of research information that could be used if adapted and applied to the conditions that exist. There is a deficit, however, of research information on specific problems. We need to know more about the actual limitations within the areas and how the various public and private groups can join together as a team in attacking the problems effectively.

Since total agricultural research needs are great and funds are limited, there is a tendency for funds to flow toward problems associated with commercial agricultural production. Possibly the time has come when the Congress should set aside special funds to be used in research pertaining to problems in the low-income areas, and earmarked and made available to the respective State agricultural-experiment stations and the United States Department of Agriculture.

6. Because of limitation of funds and the interest in expending them in areas that would bring the greatest return in increased production, too small a portion of agricultural extension funds have been used in the past in working on the problems of, and with the people in, the low-income areas. This is not to indicate criticism of past programs. But much more effective work could undoubtedly be done by our agricultural extension programs if funds were appropriated and set aside to be used within the low-income areas, so that extension would be working on specific enterprise developments, and working with individual farm families in encouraging them to analyze, appraise, and develop to fullest capacity the limited resources that are available.

7. People unacquainted with agricultural low-income areas can scarcely understand the rather desperate needs and problems associated with their medical and health problems. Again lack of resources within the areas for the support of such programs causes them to continue to be neglected and forgotten.

If the Congress, in its wisdom, can devise policies and programs in these specified fields of education, employment, social security, credit, research, extension, and health, that would lead the hundreds of thousands of families in areas of low-income concentration toward better living, a great humanitarian goal will be approached; I am convinced that American life in general will have been greatly enriched. Throughout the rural United States, and especially in the southern Appalachian region, there are local leaders who understand the problems of their communities and who will be responsive to and grateful for such programs as may be arranged.

This statement with reference to the small-farm, low-income areas wherever they may be, has been largely in the nature of analysis and appraisal, and only partially suggestive as to remedial programs. Nothing in this statement should be interpreted as contrary to the principle that leadership in the respective States and localities should be in the forefront in initiating and carrying out remedial measures to provide this large segment of our rural economy with incomes and

standards of living consistent with the great productive capacity of America today. Nor should any interpretation be made contrary to the principle that local tax resources, to the extent that they exist or can be developed, should be used in the support of needed facilities and services designed to improve the economy and living of the areas.

Within the small-farm, low-income areas there is to be found leadership with high competence and devotion to civic and community progress that can provide the nucleus around which constructive programs can be developed. As has been indicated, the great problem is associated with lack of taxpaying ability within these areas to support the educational and other programs required to do the job. An effort is made to point out that this deficiency is one that the Nation cannot ignore, one that cannot be neglected in terms of equity and in terms of national responsibility. It is not a matter of charity on the part of the Federal Government to take recognition of educational and other needs within these areas but rather it is a matter of taking tax resources from the areas where our highly complex and interdependent economy attracts highest taxpaying ability through concentration of industry, and providing minimum opportunities for all people that obviously contribute to the concentration of wealth in the highly industrialized areas.

Specific, constructive, definite programs can be formulated that will be effective for these areas through the combined and constructive cooperation of local, State, and Federal leadership.

Senator SPARKMAN. Also I want to include in the record a statement submitted by the Honorable George M. Rhodes, Member of Congress of the 14th District of Pennsylvania, and a paper read by Mr. Larson, one of our witnesses this afternoon, at the recent meetings of the American Farm Association.

(The statements referred to are as follows:)

STATEMENT BY HON. GEORGE M. RHODES, MEMBER OF CONGRESS, 14TH DISTRICT OF PENNSYLVANIA

Mr. Chairman, I appreciate the opportunity of stating my views on this general subject of the problems of low-income families and the related subjects which have been scheduled for hearings by the subcommittee.

I would first like to express my gratification to the Joint Committee on the Economic Report, its able chairman and vice chairman, the chairman, members, and staff of this subcommittee for focusing attention on a subject which seems to me to be of most critical importance.

This subcommittee is receiving testimony from many distinguished experts on the various aspects of this vast and complex socioeconomic problem. I am sure that their contributions will add substantially to the knowledge in this field and prove to be an invaluable source of information for educators, economists, and public officials, as well as serving as the foundation for subsequent action by Congress.

It is not my purpose to present expert testimony on any phase of the subcommittee's inquiry. This I will leave to the distinguished panel members appearing here. However, I would like to comment briefly on some of the individual topics of the hearing, as outlined by the subcommittee. My statement will therefore be of a general nature, becoming specific to emphasize aspects of the general problem which have most acutely affected my own congressional district.

Real concern over the problems and needs of low-income families and the related problem of chronic labor surplus areas has been expressed repeatedly by many groups and individuals. Congressional debate over such issues as taxes, minimum-wage legislation, social security, and public housing has indirectly dealt with this problem in the past. The plight of our Nation's coal and textile industries has dramatically called attention to tragic conditions of economic dislocation and personal hardship.

Yet the basic questions involved in these problems have been largely overshadowed by the wave of business optimism and the credit-fed stock-market boom which has followed the 1953-54 business recession. Today we see statistical evidence of increased employment, high industrial wages and booming production. Profit figures of some of our largest corporations are zooming to new record peaks each quarter. In this atmosphere of prosperity and optimism there has been little desire on the part of many responsible officials to face

up to the realities of a grim side of the economic picture which many people and communities have been experiencing in recent years.

My State of Pennsylvania has been particularly hard hit by this modern economic paradox of poverty, unemployment, and human misery in the midst of boom, abundance, and prosperity which has approached inflation. The economy of Reading and Berks County, Pa., my own district, has been riddled by the closing of textile, hosiery, and other vital industries. Mills which employed thousands of trained employees have shut down or moved to other parts of the country. Thousands of other workers were placed on short work-weeks. The Reading labor market area was classified by the Bureau of Employment Security, United States Department of Labor, as having a substantial labor surplus, unemployed workers exceeding 6 percent of the labor force. While the situation has improved slightly, according to September data of the Bureau of Employment Security, unemployment continues to depress or threaten the living standards of our people.

This problem of chronic unemployment cannot be dismissed lightly. It is not an overnight development but a gradual deterioration of the economies of many communities. It cannot be traced wholly to the overreliance on a single-type industry for employment opportunities, although some of the most tragic examples are to be found in Pennsylvania coal towns. These pockets of unemployment in our economy are danger signals, warning us of basic weaknesses in our industrial machine. We cannot afford to overlook or minimize their importance. Idle men and idle machines are a waste of human and productive capacities. If our Nation is to continue its economic growth and world leadership we must utilize to the utmost all of our available resources.

According to statistics prepared for this subcommittee, about 1 out of every 5 families had "permanently inadequate economic resources," that is, less than \$2,000 per year. Census Bureau estimates for 1954 reveal that 3.7 million families had money incomes under \$1,000. A total of 8.3 million families had incomes of less than \$2,000 a year. From 1948 to 1954 those families having less than \$1,000 income a year remained at about 10 percent of all families, despite the significant advances in our economy. During the same period the number of families having more than \$5,000 a year income rose from 21 to 30 percent of all families.

These figures show that, despite an unprecedented upward surge of our economy, by every term of measurement, the abundance has not "trickled down" to the most needy groups on our economic ladder. The substandard levels of existence of these Americans is a shocking indictment of the inability or unwillingness of responsible persons in our Government to take the necessary remedial action. I am sure that it is obvious to all that these low-income groups are unable to lift their living standards without direct assistance. Many of them are old folks, living on inadequate pensions, people who have given their working lives to help build our vast and powerful economic system. They have been rewarded for their efforts by hardship, deprivation, and want.

Still others in the low-income group have been trapped by circumstance and environment. If given the opportunity, however, many could lead more productive lives and contribute greatly to the community, and at the same time, raise their own standards of living. Federal-aid programs to increase the educational and vocational training opportunities of persons in the low-income brackets is a positive approach to the solution of this problem. A similar type program is necessary to help relieve economic distress among low-income families in rural areas of our Nation, geared to the particular economic needs of each area.

A broad program of Federal assistance to the low-income groups can be legally justified as a legitimate implementation of the Employment Act of 1946, which sets forth the basic responsibility of the Federal Government "to promote maximum employment, production, and purchasing power."

Such a program would do much more than increase the productive capacity, earning power, and living standards of the millions of low-income families. It would provide a powerful stimulant to other segments of our economy as well. Demands for goods and services would increase as the low-income groups receive additional purchasing power. The increased consumption of manufactured goods and food products would in turn require greater production of all commodities. Unemployed workers would be able to find jobs, farm income would rise and our national economy would expand to new and greater heights, drawing new strength and stability from the lower economic groups.

I trust that the findings and conclusions of this subcommittee will be the initial forward step toward the economic rehabilitation of our low-income families and

distressed labor surplus areas. Congress has the responsibility to take immediate remedial action. It is my hope that we will meet this responsibility without further delay.

SOCIOLOGICAL ASPECTS OF THE LOW-INCOME FARM PROBLEM¹

By Olaf F. Larson, Cornell University

This paper has been prepared with the assumption that although primary attention will be given to farm operators and their families in the United States, the farm labor group may legitimately be considered as a part of the low-income farm problem. It also assumes that other papers in this session and recently issued reports describe in detail the number and distribution of the contemporary low-income farm population and its major demographic and economic characteristics.² Accordingly, this paper is limited to (a) some comments on the low-income concept, (b) a brief analysis of the low-income farm problem in the United States when viewed in historical perspective and (c) reviewing some implications of sociological theory and research for measures to alleviate the low-income farm problem.

The point of view to be developed may be summarized in this way: (1) Specific agreement remains to be reached on the low-income concept, (2) however conceptualized, the low-income farm group is basically heterogeneous and represents multiple problems, (3) the concentration of low-income farmers in certain problem areas has been persistent, (4) the causes of this persistence include certain institutional and cultural barriers to social change, (5) change to reduce the incidence and the concentration of low-income farmers may be facilitated both by indirect impersonal social forces and by direct action, and (6) sociological theory and research indicates both barriers and aids to effectively working directly with the low-income group.

CONCEPTS

Low-income.—The concept of low-income farmer is itself relatively new, finding little expression in the United States before the early 1930's.³ The first problem faced is whether, in a definition, to put emphasis on the farm and the operator as a production unit or upon the operator and his family as a consumption unit.⁴ Attempts to consider both farm and family simultaneously raise the perennially difficult question of what is and what is not a farm family. Assuming an agreement as to what is a farm family, there are at least three broad alternative approaches to defining the low-income farm family universe, each with operational and theoretical advantages and disadvantages. These are: (1) A given segment, as the "lower one-third," of the families distributed according to some measure of income, (2) the population below a specified income, as \$1,000 available for family living, or (3) those whose incomes, regardless of amount or relative position are insufficient to provide the family with the goods and services determined as a desirable minimum.⁵

The third approach is a functional one.

¹ Presented at joint meeting of the American Farm Economic Association and the Rural Sociological Society, East Lansing, Mich., August 3, 1955. To be published in the *Journal of Farm Economics*, vol. 37, No. 5, December 1955.

² Development of Agriculture's Human Resources: A Report on Problems of Low-Income Farmers prepared for the Secretary of Agriculture, U. S. Department of Agriculture, Washington, D. C., April 1955; U. S. Bureau of the Census, Farms and Farm People—Population, Income, and Housing Characteristics by Economic Class of Farm, U. S. Government Printing Office, Washington, D. C., June 1953; Jackson V. McElveen and Kenneth L. Bachman, Low Production Farms, U. S. Department of Agriculture, Bureau of Agricultural Economics, Agriculture Information Bulletin No. 108, Washington, D. C., June 1953; Louis J. Ducoff, The Hired Farm Working Force of 1952 With Special Information on Migratory Workers, U. S. Department of Agriculture, Bureau of Agricultural Economics, Washington, D. C., October 1953; U. S. Bureau of the Census, U. S. Census of Agriculture; 1950, vol. V, Special Reports, pt. 9, Economic Class and Type of Farm—A Graphic Summary, Washington, D. C., 1952; Ronald L. Mighell, American Agriculture, Its Structure and Place in the Economy, New York, John Wiley & Sons, Inc., 1955.

³ Murray R. Benedict, Farm Policies of the United States, 1790-1950, New York, the Twentieth Century Fund, 1953, p. 356.

⁴ This parallels the economic concepts of "productive norms" and "distributive norm." See Rainer Schickele, *Agricultural Policy*, New York, McGraw-Hill, 1954, pp. 38-53.

⁵ Olaf F. Larson et al., *Ten Years of Rural Rehabilitation in the United States*, Washington, D. C., U. S. Department of Agriculture, Bureau of Agricultural Economics, July 1947, pp. 92-93 (out of print but issued in summary form in 1951 by Indian Society of Agricultural Economics, Bombay, India).

Despite agreement for over two decades on the existence of a low-income farm problem, the literature continues to show considerable variation in the definition of "low-income farmer" and the use of a variety of measures for identifying the individual low-income farmer and for delineating the concentration of such farmers in problem areas.

The recent report prepared for the Secretary of Agriculture on Development of Agriculture's Human Resources reflects the continuing lack of clarification, on at least a theoretical or functional basis, of the low-income concept. The report begins on a family basis, stressing the estimated 1.5 million farm operator families, more than one-fourth of the total (census definition), with a net cash family income from all sources of under \$1,000 in 1950.⁶ It then shifts to a farm basis by indicating that of these 1.5 million families, 1,269,000 are on small farms with gross sales in 1949 of less than \$2,500. As a further refinement there is next a shift to the characteristics of the operators of these small farms, eliminating about 326,000 operators aged 65 and over and about 156,000 younger operators working off farm 100 days or more, thus leaving an estimated 787,000 small farms with full-time operators under 65 whose families netted less than \$1,000 cash in 1950. (Parallel estimates are also presented of the families with under \$2,000 net cash income; these almost double the numbers in each category.) From a farm and operator point of view the estimates of the low-income farm problem then are only about half as large as from the point of view of families connected in some way with operating a farm. Inclusion of farm wage workers would, of course, increase these estimates of low-income families associated with agriculture.

The criteria used yield impressive results as to the magnitude of the low-income problem from either family or farm points of view. The limitations of available data for estimates on a national basis, and the need for operationally workable procedures are recognized. Nevertheless, it seems important to also appreciate that the criteria of net family income of \$1,000 (or of \$2,000) is only one of several alternatives and does not necessarily yield the same estimates as would be derived from a more clearly functional approach to defining the low-income farm family.⁷

Problem areas.—The recent report for the Secretary of Agriculture uses 3 criteria to delineate 9 generalized problem areas encompassing about 1 million full-time small-scale farmers of working age: (1) Net income from the farm, (2) level of living, and (3) size of farm operations.

A much-used comparable delineation is a map published by Taylor and associates in 1938 showing areas in which marked disadvantaging conditions prevailed in American farm life. Six criteria were used on a county basis, with the presence of any one qualifying a county as disadvantaged: "In this map are combined the areas in which 50 percent or more of the farms yielded less than \$600 farm income in 1929; areas in which 50 percent or more of all gainfully employed in agriculture were hired laborers in 1930; areas in which 50 percent or more of all farms were tenant or cropper farms in 1930; areas in which 20 percent or more of the farms should be replaced because of maladjustment in land uses; areas which had lost all their natural increase in population between 1920 and 1930 and in addition had lost 20 percent of their 1920 population; areas in which 30 percent or more of the total population was on relief in June 1935; and areas in which 20 percent or less had standard of living facilities as measured

⁶ Development of Agriculture's Human Resources, p. 1 and table 1. These national estimates were apparently developed from a sample of approximately 11,000 farms and associated households in the United States, one-fifth of 1 percent of all such units. (See Farms and Farm People, p. 3 and table 1.)

⁷ Examples of such approaches are given in: Lloyd H. Fisher, What Is a Minimum Adequate Farm Income?, *Journal of Farm Economics*, vol. XXV, No. 3, pp. 662-670 (August 1943); T. Wilson Longmore and Carl C. Taylor, Elasticities of Expenditures for Farm Family Living, Farm Production, and Savings, United States, 1946, *Journal of Farm Economics*, vol. XXXIII, No. 1, February 1951; Donald R. Rush and Olaf F. Larson, Farm Resources and Farming Systems Needed To Meet Living Needs of Farm Families in Five Type-of-Farming Areas, pt. 1—Summary, U. S. Department of Agriculture, Bureau of Agricultural Economics, Washington, D. C., March 1942 (out of print); Standards and Levels of Living, Columbia Basin Joint Investigations, Studies by the U. S. Department of Agriculture for Problem 9, U. S. Department of the Interior, Bureau of Reclamation, Washington, D. C., 1947; Eunice M. Knapp, City Worker's Family Budget for October 1951, *Monthly Labor Review*, U. S. Department of Labor, Bureau of Labor Statistics, vol. 74, No. 5, pp. 520-522, May 1952. (The BLS estimates of the cost of a modest but adequate level of living for a 4-person large-city worker's family in 1951, based in part upon scientific standards, experts' standards, and consumer preference, ranged from \$3,812 in New Orleans to \$4,454 in Washington, D. C. Families on small farms also average about 4 persons.)

by an index combining electricity, telephones, radios, automobiles, and water piped to the dwelling."⁸

Many other maps have been prepared for several decades, based largely on Census of Agriculture data, which have been interpreted as indicating rural problem areas of low production, low income, and low family levels of living.

HISTORICAL PERSPECTIVES

Trends in number.—There are many limitations in any attempt to precisely determine national trends in the number of low-income farm families due to lack of data on family income, difficulties in correlating population, and agricultural census data for farm and family, changing price levels, and variations in the concept of what should be called low income. Accepting the calculation by McElveen and Bachman that a \$2,500 value of sales limit as of the 1950 census was equivalent to \$1,000 gross value of farm products as of the 1930 census (after adjustment for farm prices and output per man-hour)⁹ shows an increase from nearly 3 million low-production farms in 1930 (49 percent of the total) to 3.3 million (61 percent of the total) in 1950. This apparent increase, of course, is unrealistic as far as both families and agriculture are concerned because the data pertain to farm and not to family income and include many whose relation with agriculture is marginal. More realistic from both family and farm points of view, especially the latter, are McElveen and Bachman's estimates that the number of small family and small-scale farms (operators essentially full-time on their own farm and with sales under \$2,500 at 1950 price levels) dropped from 2.2 million in 1930 to 1.7 million in 1950, almost a half million or 21 percent decrease.¹⁰ As a percentage of all farms, this 1930-50 change represented only a slight drop, from 35 to 32 percent, while omitting part-time and residential farmers from the base shows a slight increase in small farms as a percentage of commercial farms, from 42 to 46 percent. Such crude data indicate some absolute gains in decreasing low-income families within American agriculture but also suggest that the relative proportion had not changed substantially by 1950. Such conclusions could well lead back to questions of the low-income concept, of techniques for measurement, as well as to fundamental questions of distributive norms.¹¹ But let us move to considering trends in the distribution of whoever are defined as low-income farm families.

Trends in distribution.—One might contend that in any open-class, open-economy society it is normal to have a certain proportion of farm families in a low-income group both apart from and in conjunction with the economic concept of the contributive principle of the income-distribution norm.¹² For example, there are the normal proportions of the physically and mentally handicapped whose productivity is so reduced that they are expected to fall in the low-income category. Several studies have shown that the economic status of farm families is related to the stage of the family cycle.¹³ It may be assumed that farm families in low-income status due to such normal causes would be rather equitably distributed throughout the Nation. As of 1950, however, the report to the Secretary conclusively shows a concentration of low-income families and farms which cannot be a function of normal personal and family characteristics.

It is highly significant that agriculture's problem areas of 1950 are almost identical with the problem areas, whatever the criteria used, for the past half century. Compare the 1950 areas with the location of standard rural rehabilitation borrowers 1935-43,¹⁴ the counties having an estimated 200 or more full-time, able-bodied working age unproductively employed farm operators in 1940,¹⁵ counties having two or more marked disadvantage farm conditions as of 1930. (Taylor, Wheeler, and Kirkpatrick), low-value-of-farm-products farms in

⁸ Carl C. Taylor, Helen W. Wheeler, and E. L. Kirkpatrick, *Disadvantaged Classes in American Agriculture*, U. S. Department of Agriculture, the Farm Security Administration, and the Bureau of Agricultural Economics cooperating, Social Research Report No. VIII, Washington, D. C., April 1938, figure 33, p. 123.

⁹ McElveen and Bachman, *op. cit.*, p. 59.

¹⁰ *Ibid.*, table 4, p. 6.

¹¹ See Schickele, *Agricultural Policy*, pp. 51-52.

¹² See Schickele, *op. cit.*, p. 49.

¹³ Several of these are summarized in Lowry Nelson, *Rural Sociology*, New York, American Book Co., 2d edition, 1955, pp. 307-312, and in Charles P. Loomis and J. Allan Beegle, *Rural Social Systems*, New York, Prentice-Hall, Inc., 1950, pp. 77-87.

¹⁴ Larson, *op. cit.*, figs. 3 and 4.

¹⁵ Conrad Taeuber, *Rural Manpower and War Production*, U. S. Department of Agriculture, Bureau of Agricultural Economics (testimony given before the Select Committee Investigating National Defense Migration, House of Representatives, February 13, 1942) mimeographed.

1929,¹⁶ low planes of living 1928-29,¹⁷ small farms in 1920,¹⁸ acres of improved land per farm in 1910,¹⁹ and similar delineations. The conclusion is clear that the concentration of low-income farm families in certain areas has been remarkably stable and persistent except for temporary crises experienced during drought and depression by farmers in the Great Plains. This leads to questions of causes and suggests implications for programs which would even out this persistent concentration.

One would grant the importance in these problem areas of limited land resources in relation to population, of limited opportunities for off-farm work within the areas, of limited application of improved farm technology and of low educational achievement.²⁰ Yet these do not fully explain the longtime concentration. Why have the problem areas persisted? Do they have some characteristics which would lead us to expect them to be problem areas in the year 2000?

Among the several major value-orientations in American culture which serve as guides to choices which people make individually and collectively are listed: (1) A central stress upon personal achievement, especially secular occupational achievement, (2) efficiency and practicality, (3) progress, (4) material comfort, (5) external conformity and (6) belief in science and secular rationality.²¹ To the extent that these values are shared by the low-income group, motivation would be expected for an improvement in status. Thus knowledge of new agricultural techniques to improve income would lead to adoption. Or knowledge of alternative opportunities would lead to occupational shifts or outmigration. The record shows that such responses have been substantial. Yet the problem areas persist.

Possibly isolation and ineffective communication have delayed and resulted in a differential diffusion of knowledge about the alternatives. Certainly the lowest income farm families (under \$1,000 family income and class V and VI farms) were generally more isolated and more lacking in facilities for mass and point-to-point communication as of 1950 than were higher income families. The report on Farms and Farm People shows 45 percent of the under \$1,000 families living on dirt or unimproved roads against about 20 percent for the \$4,000 and over group,²² 62 percent with electricity (an aid to radio) on the farm versus over 90 percent for the higher income group, and 18 percent with telephones compared with over 60 percent for those with \$4,000 and over. Possibly, lack of economic resources has been a barrier to making farm adjustments or occupational or residential shifts. Surely poverty has some self-perpetuating qualities as in the case of the low-income family which handicaps its children by limiting their education because of low-income, or as seen from the well-documented evidence that low-income farm people are disadvantaged as to the use of health resources for their children.

However, an observation of the outstanding characteristics of the problem areas suggests that among the basic causes of the long persistence of the rural problem areas of the Nation are their institutional and cultural patterns or what have been called social systems.²³ That 80 percent of the Nation's sharecroppers, but only 46 percent of all farms and 38 percent of the commercial farms are in the generalized problem areas implies the importance of a complex of behavior patterns associated with land tenure institutions. The majority of the Nation's rural population sometimes referred to as minority groups—Negroes, Spanish-speaking, and Indians—live within the problem areas. Nonwhites make up 30 percent or more of the rural farm population in 5 of the 9 generalized areas. The whole set of social relationships associated with these minorities is one of the institutionalized causes of the present low-income situation. It is not chance that the 5 areas high in nonwhites are also highest in percentage of adult

¹⁶ O. E. Baker, *A Graphic Summary of the Number, Size, and Type of Farm, and Value of Products*, U. S. Department of Agriculture, Misc. Pub. No. 266, Washington, D. C., October 1937, pp. 68-69.

¹⁷ Carter Goodrich, Bushrod W. Allin, and Marlon Hayes, *Migration and Planes of Living, 1920-34*, Philadelphia, University of Pennsylvania Press, 1935, figure opposite p. 10.

¹⁸ O. E. Baker, *A Graphic Summary of American Agriculture Based Largely on the Census of 1920*, in *Yearbook of the Department of Agriculture, 1921*, pp. 490-491.

¹⁹ Middleton Smith, O. E. Baker, and R. G. Hainsworth, *A Graphic Summary of American Agriculture*, in *Yearbook of the Department of Agriculture, 1915*, p. 343.

²⁰ *Development of Agriculture's Human Resources*, pp. 8-11 and tables 3 and 4.

²¹ Consult Robin M. Williams, *American Society*, New York, Alfred A. Knopf, 1951, pp. 388-440.

²² Table 4, pp. 79-83. For data by economic class of farm, see table 3, pp. 74-78.

²³ This concept is used by Charles P. Loomis and J. Allan Beegle, *Rural Social System*, op. cit., pp. 3-36.

rural farm population with less than 8 years of school (from 53 to 73 percent compared with 27 percent for the rural farm population outside of the problem areas).²⁴ Some parts of the problem areas are characterized as having a familistic society,²⁵ with kinship structures and with values which have adversely affected occupational and residential choices and adjustments for an improvement of income. Fertility ratios and replacement rates are above the national average in most of the problem areas, again a reflection of values and family systems.

A recital of such facts is evidence of the deep-seated changes in human behavior, in values and attitudes which will need to be made to effectively reduce the concentration of the low-income farm population.

IMPLICATIONS OF SOCIOLOGICAL THEORY AND RESEARCH

The rehabilitation process and social change.—Programs to help the low-income farmer are basically concerned with the broad social process of social or cultural change. At the family level, this involves what the writer has previously termed the "rehabilitation process" (for many the term "habilitation" would be more apt), the process of attaining a cluster of interrelated economic and social goals whose content is expressed in terms of practices, behavior patterns, attitudes and material possessions.²⁶ The many studies²⁷ of thousands of low-income families who have participated in rehabilitation programs in the past make clear two points which are important for the success of such programs and for successful work of personnel responsible for conducting the programs. First is the necessity of understanding that the rehabilitation process involves changes in individuals—in their behavior, attitudes and sometimes values. Second, the speed of the rehabilitation process is conditioned by a complex of variables, by (a) the characteristics of the family and its members, (b) the physical and economic resources available to the family, (c) the rehabilitation aids, (d) the culture—especially as expressed by attitudes, values, class structure, social and economic institutions and facilities—within which the family lives, and (e) more or less impersonal forces such as economic and technological change or natural calamities which are outside the control of family or a rehabilitation program.²⁸ An understanding of the process leads to such principles as (1) setting a definite time limit within which all families must achieve rehabilitation is incompatible with the nature of the rehabilitation process; in general, the lower the economic and social level at the time of starting, the longer and the more difficult it is for a family to achieve rehabilitation; (2) the more foreign are the basic assumptions and major objectives of rehabilitation to the local culture, the more difficult is the rehabilitation of individual families within that culture.

Complex of problems.—Although having the common denominator of low income, an analysis of the characteristics of low-income families in agriculture forces the conclusion that there is not one low-income problem but many, for the families are heterogeneous as to characteristics, as to primary causes of their low-income status and as to potentialities for improvement. For example, the migrant farm wage worker constitutes a different category of low-income problems than the cropper, the owner on a poor, subsistence farm, or the owner with assets depleted by natural calamity.²⁹ Careful study of many of these families shows that a complex of problems, rather than a single problem, is characteristic. These family problems may be grouped under such major headings as "Physical resources to produce income and protect health," "Skills and abilities to use resources," "Institutional arrangements," "Personal traits," "Social relationship," and "Credit."³⁰ An inadequate land base and insufficient credit are but two items in the bundle of barriers to substantial improvement in the income level of many farm families. Recognition of the several categories of low-income farm

²⁴ Development of Agriculture's Human Resources, p. 44.

²⁵ James S. Brown, *The Farm Family in a Kentucky Mountain Neighborhood*, Kentucky Agricultural Experiment Station Bulletin 587, August 1952, and *The Family Group in a Kentucky Mountain Farming Community*, Kentucky Agricultural Experiment Station Bulletin 588, June 1952.

²⁶ Olaf F. Larson, *Rural Rehabilitation—Theory and Practice*, Rural Sociology, vol. 12, No. 3, pp. 223-237, September 1947.

²⁷ Most of these studies are listed in John M. McNeil, compiler, *Rehabilitation of Low-Income Farmers. A List of References*, U. S. Department of Agriculture, Library List No. 6, Washington, D. C., August 1943, and Elizabeth Gould Davis, compiler, *Low-Income Farm People. A Selected List of References*, U. S. Department of Agriculture, Library List No. 62, Washington, D. C., May 1955.

²⁸ The rehabilitation process is analyzed in Larson, *Ten Years of Rural Rehabilitation in the United States*, pp. 331-345.

²⁹ This view is also expressed by Benedict, *op. cit.*, p. 357.

³⁰ Larson, *Ten Years of Rural Rehabilitation in the United States*, pp. 128-129.

families and of the existence of multiple problems within families underscores the need for a broad and flexible approach in policies and programs to aid this group, including—at the family level—an individualized case-method approach of diagnosis and treatment.

Impersonal forces.—Impersonal forces not only influence the speed and permanence of raising the level of the individual family but may work counter to or in support of programs directly aimed at the low-income group. Public policy puts some of these forces into operation. Certainly continued high-level nonfarm employment or shifts in the location of industrial production are of consequence for the number and concentration of low-income farmers. Further mechanization in the Cotton Belt can be expected to affect large numbers traditionally in the low-income category.³¹ The raising of minimum wages under the Wages and Hours Act and the spread of guaranteed annual wage plans should pull more workers out of the low-income farm areas. The extension of old-age and survivors' insurance to farm operators should offer an opportunity for farm consolidation and enlargement and for more favorable procedure for transferring farms within families, all to the advantage of those with low incomes. The broad trend of court decisions relative to access to public services,³² such as the Supreme Court decisions of May 17, 1954, and May 21, 1955, relative to segregation in public schools, may have long-range effects in reducing the low-income farm population. A broadening and increasing of Federal aid to education and programs to improve the use of health resources by rural people might in the future have considerable effect on the trends in the low-income farm group.

On the whole, the net impact of the major foreseeable impersonal forces seems to be on the side of helping the low-income farmer. The response would seem to be influenced greatly by the extent to which individuals share the basic American value orientations mentioned or, in face, constitute a series of subculture with values which will inhibit a favorable and rational response.

Direct-aid programs.—Certainly, experience has demonstrated that low-income families who think of themselves as low-status or are so identified by the community in which they live are the most difficult segment of the farm population to help effectively and efficiently through voluntary programs. Research studies have repeatedly shown that social status is one of the major variables related to participation in formal organizations, sources of information about new farm and home practices, adoption of farm and home practices, use of the extension service, aspirations for children, and to a host of other forms of behavior, attitudes, and values.³³ Thus, low status is in itself a major barrier to be overcome by programs which work directly with the low-income farm group.

Other sociological research not directly concerned with low-income families also offers suggestions for increasing the effectiveness of work with this group. Here one can only list such research areas from which application may be made as: social structure including informal groups, reference groups, and leadership; diffusion of farm and home practices, communication of new ideas about farming and homemaking, values and attitudes, motivation and decision making, and what is being called community development where the emphasis is on organizational processes.³⁴

Training.—Finally, the emphasis of this paper on the complexity of the low-income problem and its relation to basic cultural and institutional phenomena, leads to pointing out the need for adequate training for personnel of any action program. The key professional person in an action program is the worker who comes in direct contact with families and communities. This was particularly demonstrated in the experimental program during 1938-42 in 10 counties in which work was done with some 600 families below the level of acceptance of the regular rehabilitation program.³⁵

³¹ Harold A. Pedersen and Arthur F. Raper, *The Cotton Plantation in Transition*, Mississippi Agricultural Experiment Station Bull. 508, January 1954; Harold A. Pedersen, *Mechanized Agriculture and the Farm Laborer*, *Rural Sociology*, vol. 19, No. 2, pp. 143-151 (June 1954).

³² For cases, see Milton R. Konvitz, *Bill of Rights Reader; Leading Constitutional Cases*, Ithaca, N. Y., Cornell University Press, 1954, pp. 527-558.

³³ For an excellent general analysis see Williams, *op. cit.*, pp. 78-135. A review of several studies is given in Harold F. Kaufman, Otis Dudley Duncan, Neal Gross, and William H. Sewell, "Problems of Theory and Method in the Study of Social Stratification in Rural Society," *Rural Sociology*, vol. 18, No. 1, pp. 12-24 (March 1953).

³⁴ Many of these research studies are published in *Rural Sociology*, or are reviewed in the book and bulletin review sections of *Rural Sociology*.

³⁵ This experiment is summarized in Rachel Rowe Swiger and Olaf F. Larson, *Climbing Toward Security*, U. S. Department of Agriculture, Bureau of Agricultural Economics, Washington, D. C., November 1944 (out of print) and in Larson, *Ten Years of Rural Rehabilitation in the United States*, *op. cit.*, pp. 285-291.

The complexity of the problems of low-income families if accompanied by a corresponding flexibility in techniques of aid, requires the professional to take a number of difficult roles. He is an educator giving farm- and home-management advice. If credit is one of the program tools, he must play a banker's role. He must be a family case worker and he may have to be a community organizer. Being adequate to take these roles and being skilled in keeping them in appropriate balance is not easy. A serious effort to conduct an expanded attack on the low-income farm problem should be accompanied by increased attention to training personnel.

Senator SPARKMAN. We shall continue our hearings tomorrow morning at 10 o'clock in this room. The subject of tomorrow's discussion will be "Rehabilitation of Depressed Industrial Areas."

The subcommittee will stand in recess now until 10 o'clock tomorrow morning.

(Whereupon, at 4:15 p. m., the subcommittee recessed to reconvene at 10 a. m., Tuesday, November 22, 1955.)

LOW INCOME FAMILIES

TUESDAY, NOVEMBER 22, 1955

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON LOW-INCOME FAMILIES,
JOINT COMMITTEE ON THE ECONOMIC REPORT,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. John Sparkman, chairman of the subcommittee, presiding.

Present: Senator Ralph E. Flanders.

Also present: Grover W. Ensley, staff director, and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Let the subcommittee come to order.

Senator Flanders will be with us a little later, but he will be a little late, so I think we should get started.

The subject to be discussed this morning is Rehabilitation of Depressed Industrial Areas—Illustrative State and Local Efforts, and the Federal Area Development Program.

Yesterday we heard about the problems of depressed rural areas and had a considerable amount of discussion on the ways and means of bringing these areas up to higher levels of economic activity. It was pointed out that in a good many rural areas it is not a question of rehabilitation, some areas have been economically disadvantaged practically since the original settlement days. Now, almost by definition this is not true of industrial areas with a chronic labor surplus. Something happened in these areas to arrest the economic development there; for example, the major local industry is sick, or has moved to another area, leaving in its wake a new group of unemployed workers.

In recent years there has been an increasing amount of State and local interest in attracting new industry and raising the level of economic activity; in some cases such efforts have been undertaken in areas which are depressed economically. And, at the present time the Federal Government also provides limited assistance to depressed industrial areas. I hope that this discussion today will bring forward some evaluation of the Federal role in programs to aid depressed areas. There are, as you know, some definite proposals now before the Congress which relate to this subject—the chairman of the Joint Economic Committee, Mr. Douglas, for example, has introduced a bill which contains a number of specific types of aid to depressed industrial areas. That bill is S. 2663.

As recently as September 1955, there were 26 major areas, and 94 smaller areas classified by the Department of Labor as “areas of substantial labor surplus”—in other words, at least 6 percent of the labor

force was unemployed. The Director of the Bureau of Employment Security, Mr. Goodwin, estimates that of the 2.1 million workers unemployed in September, over one-half million were concentrated in these areas of substantial labor surplus.

I shall put in the record this letter addressed to Mr. Bolling of the joint committee from Mr. Goodwin, which contains these estimates. (The letter is as follows:)

NOVEMBER 16, 1955.

HON. RICHARD BOLLING,
*Chairman, Subcommittee on Economic Statistics,
 Joint Committee on the Economic Report,
 Washington, D. C.*

DEAR CONGRESSMAN BOLLING: In accordance with our previous arrangement, I am submitting for the record the figures on unemployment in labor surplus areas that you requested during the recent hearings on employment and unemployment before the Subcommittee on Economic Statistics.

Our data indicate that there were approximately 314,100 unemployed workers in the 26 major areas classified by this Bureau as areas of substantial labor surplus in September. This total represented about 15 percent of the 2,149,000 listed as unemployed during the month by the Bureau of the Census. Actually, this proportion may be somewhat high, since our area figures include persons on temporary layoff of less than 30 days as unemployed, while Census does not. This difference could be of some importance during September when many automobile manufacturing workers were idled during the model changeover period.

There were also 94 smaller areas listed as areas of substantial labor surplus by this Bureau in September. Our latest figures indicate that unemployment in these areas totaled 238,800.

If I can be of further assistance in this or other matters please let we know.
 Sincerely yours,

ROBERT C. GOODWIN, *Director.*

Senator SPARKMAN. Now I should like to introduce each panelist: Leonard P. Adams director, research and publications, New York State School of Industrial and Labor Relations, Cornell University; William L. Batt, Jr., executive secretary, Toledo Industrial Development Council, Ohio; Victor Roterus, Chief, Area Development Division, Business and Defense Services Administration, Department of Commerce; Earl P. Strong, director, bureau of business research, College of Business Administration, the Pennsylvania State University; Sidney C. Sufirin, director of the Maxwell Research Center, Syracuse University.

Each panelist will be given 5 to 10 minutes to present a short summary of his longer statement. The complete statements will, of course, be inserted in the record.

We shall hear from each panelist in turn then will have some time for discussion.

I would like to say that we like to conduct these hearings as informally as possible, and we encourage discussion among the panelists, questioning each other and making suggestions to each other. In other words, I like to have the panelists feel perfectly free to join in a discussion of any subject that may come to his mind, relating to the discussion today. We shall most likely have some questions to ask, too.

Now, Mr. Adams, will you proceed.

STATEMENT OF LEONARD P. ADAMS, DIRECTOR, RESEARCH AND PUBLICATIONS, NEW YORK STATE SCHOOL OF INDUSTRIAL AND LABOR RELATIONS, CORNELL UNIVERSITY

Mr. ADAMS. Mr. Chairman, my remarks have to do with a particular area in the State of New York, the Auburn area. This is an area in which we began a study in our school about 6 years ago. The occasion for the study was the announcement by the International Harvester Co. of the shutdown of their local plant in the city of Auburn. This was the largest industrial plant in the city, and it employed approximately 30 percent of the total manufacturing workers.

The Auburn area in which the Harvester plant was located does not fit consistently into the definition usually given of a depressed industrial area, in that at times there has been full employment in the area; at other times during the past 6 years it has had a substantial labor surplus; but it is an area that characterizes to some degree, the unfortunate experiences of some of the small, middle-sized industrial areas of the Northeast. It has not been growing as rapidly as other areas. There have been difficulties in finding jobs for all of the people there in the area, and at times unemployment has passed the critical point of 12 percent of the labor force.

The Harvester shutdown announcement naturally came as a severe shock to the community, and the company itself provided some opportunity for the community to adjust to this announcement by giving them a year and a half to get ready for the shutdown experience.

What I would like to cover briefly here is just in summary fashion what happened after the shutdown took place, what happened after the Korean defense boom collapsed, and what, if anything, the Auburn experience shows that may have relevance to other areas.

After the shutdown announcement took place there was an attempt on the part of various groups in the community to persuade the Harvester Co. to change its mind about closing down the plant. These efforts came to naught, and the shutdown proceeded according to schedule.

The shutdown took place at the beginning of May 1950. You will recall that the Korean war broke out in June of 1950, so that there was almost concurrently with the shutdown, a general pickup in business activity. This was of substantial help to the displaced 1,800 workers, because they were able to find jobs, some of them locally, some of them in defense plants, in the rehabilitation of the Sampson Naval Base, and in other communities within the radius of 40 to 50 miles from Auburn.

Secondly, the company's policies had provided for vacation pay for those who had earned it, had provided also for supplemental retirement pay for those who wished to retire from the labor force, and had also provided the community with a gift of its property in Auburn. This gave the community an opportunity to do something about industrial promotion with some buildings that could be rented, and rehabilitated, and provided them, in other words, with something tangible that they could sell to concerns looking for a place to locate.

The community itself, through the local chamber of commerce, organized an industrial development committee. This committee proceeded energetically to mobilize the efforts of the community and to do an intensive job of promotion outside. They succeeded in raising \$50,000, most of which was used in repairing some of the Harvester buildings, and in the development of promotional material.

The net result of their efforts, plus the general favorable business conditions, was that the Harvester displaced workers were unemployed a relatively short period of time. Most of them probably were out not more than 2 or 3 months, and some of them much less than that. The skilled workers had no difficulty in finding other jobs.

During this period of time about two-thirds of the displaced work force drew unemployment compensation. This was a substantial help to them and to their families. The relief load during this period did not increase at all. In fact, it declined rather than increased.

The combination of these circumstances—that is, the local efforts to bring in new business, the efforts of individual workers to find themselves other jobs, the generally favorable business conditions, produced a remarkably painless transition period.

There were four new plants brought into the area within 6 months, and these helped substantially to absorb not only the displaced workers but other workers who came into the labor market.

Now, the second phase of this experience, which I think is interesting, is that with the termination of activities in Korea, and the slackening of defense orders, the unemployment situation in Auburn once again became rather serious. One of the plants that came into the old Harvester buildings had employed at a peak approximately 1,400 people. This plant was cut back in the spring of 1954 in its defense work so that it laid off about a thousand of those people, many of whom were ex-Harvester employees.

That situation, plus the fact that 10 smaller manufacturing plants no longer found it profitable or desirable to continue in Auburn, reduced the demand for labor by 800 to 1,000 further, so that once again in 1954 the community of Auburn faced a serious unemployment situation.

What this experience shows, it seems to me, is that areas of the size of Auburn, which have not been growing as rapidly as the larger industrial centers, at least in the State of New York, have a continual problem of trying to see that the work force locally is fully employed. This problem is in terms of its magnitude, a problem that is greater than a locality can hope to manage by itself. At the same time, the locality needs to take the initiative in industrial promotion and in development of new jobs to the best of its ability.

These smaller industrial centers are often off the beaten track, as far as transportation facilities are concerned, and other attractive advantages to business concerns. Whatever the reason may be for departure of industry from these places this does not mean the work force departs along with the plant. In fact, we found in our study that most of the people who are displaced from Harvester remained in the community. A very small number of them actually moved away. Consequently, we feel that the job, is to provide work locally for those who live in the area.

The maintenance of generally favorable business conditions is a very important factor in helping local communities adjust to changes

such as the one that happened in Auburn. Under such circumstances local efforts to promote industrial activity stand the best chance of success.

Secondly, having something tangible to sell by way of buildings or other inducements to outside concerns is a very important factor, and without something of that sort local groups cannot immediately get new business concerns into their communities.

Thirdly, local communities must themselves show the initiative and the imagination and the energy to bring in new business concerns into their communities, to be alive, to make their communities an attractive place for business people to locate in, and to encourage industrial expansion.

In depressed communities the job of industrial development is one that should enlist the activities continually of all phases of the community, and not just the business element. We feel that experience in other communities shows the advantages of bringing in organized labor into the industrial development promotion efforts when that group is important numerically so that both labor and management have an equal opportunity to influence future economic development.

Senator SPARKMAN. Thank you.

(The complete statement of Mr. Adams is as follows:)

REHABILITATION OF DEPRESSED INDUSTRIAL AREAS: THE EXPERIENCE OF
AUBURN, N. Y.

Leonard P. Adams, New York State School of Industrial and
Labor Relations, Cornell University

WHY DISCUSS THE AUBURN EXPERIENCE?

Auburn, N. Y., is a small city in the Finger Lakes region of the State about 25 miles west of Syracuse. It has been a manufacturing and trading center since the early part of the 19th century and the city is the heart of an industrial area which may be defined as Cayuga County. A little over 6 years ago the future of the community was seriously threatened by the International Harvester Co. decision to close down its operations in the city. When the announcement was made (June 1949), Auburn was not a depressed industrial area, if such areas are defined as those with 12 percent of the work force chronically unemployed. Subsequently, unemployment exceeded the 12-percent limit in 1950 for a few months when the shutdown began and again in 1954 as the result of defense production curtailment. With the general upturn in general business conditions, unemployment in Auburn receded to less serious proportions but the current level of 7 to 8 percent is more than twice the State and national averages. It is evident that this area is not sharing fully in general business prosperity although it may not be considered a depressed industrial area.

From the point of view of the Subcommittee on Low-Income Families, however, the Auburn experience in recent years may be of interest because: (1) Auburn may illustrate the plight of small industrial centers that are having a hard time keeping up with the expanding economy; (2) the response of the community to the International Harvester shutdown shows how such losses can be met under favorable circumstances but also the difficulties small industrial centers have with industrial promotion when the whole economy is not expanding rapidly; (3) the experience of the displaced International Harvester workers in finding new jobs after the shut down shows the flexibility and adaptability of the displaced workers when confronted with the need to find new jobs.

LONG-TERM TRENDS AFFECTING THE AUBURN AREA

In order to understand the significance of the International Harvester shutdown and the nature of the industrial development problems facing the people of the Auburn area, it is essential to keep in mind certain basic social and economic trends.

Population growth

The most rapid period of population growth in the area occurred during the last quarter of the 19th century and the early part of the 20th. In the period, 1930 to 1950, the population of the city of Auburn remained practically constant, the gain during the 1940's offsetting the loss during the 1930's. In Cayuga County as a whole, population increased by 7 percent from 1940 to 1950 whereas the gain in the United States was about 15 percent and in New York State the increase was 10 percent. It is evident, therefore, that the Auburn area has been one of those smaller industrial centers with a relatively slow growth in recent years. According to vital statistics for the area the increase in population for the county during the 1940's just about equaled the excess of births over deaths.

Industrial employment

One of the principal reasons for the slower growth of population in the Auburn area has been the relatively slow growth in manufacturing employment in the past 20 years. In 1935, Cayuga County furnished 0.48 percent of the production (wage) jobs in manufacturing plants in the State of New York but the proportion was 0.42 in 1947 and in December 1954 was about 0.30. The number of jobs had grown by about 2,500 during the period 1939 to 1947 but the level of such employment in December 1954 was only 400 above the average for 1939.

It is evident that the area has not been holding its relative position in recent years. One of the principal reasons for the recent decline was the shutdown of the International Harvester Co. operations in Auburn in 1950, which caused 1,800 workers to lose their jobs.

AUBURN EXPERIENCE WITH REHABILITATION, 1949-55

The International Harvester shutdown

From the founding of the Auburn community in the latter part of the 18th and early 19th centuries, Auburn was a center for the manufacture of farm tools and machinery. This type of activity was a natural one in the locality because Auburn was an important trading center in a growing agricultural community and cheap waterpower was available from the Owasco River. Even after the coming of steam power and the growth of agriculture in the Middle West, Auburn continued to be sufficiently close to large farm markets to make the D. M. Osborne Co., founded in 1856, a leading farm-machinery concern in the region. This company was purchased at the beginning of the 20th century by the newly formed International Harvester Co. In the following years, the Auburn works of International Harvester grew to be Auburn's largest manufacturing employer with the highest wages and, in some respects, the most liberal benefit plans of any company in the community. Most of the buildings were completed by 1910 and few changes were made since that time.

Before the end of the 1930's, however, International Harvester management began to feel that events such as the growing relative importance of farm markets in the Middle West and South and the high costs of operations would make necessary a change in the location of the manufacturing operations carried on in Auburn. World War II and postwar conditions forced a postponement of decisions concerning shutting down the Auburn works. In June of 1949 the International Harvester management informed the community that it could no longer continue to operate profitably its plants in Auburn and that production would be transferred to a new, streamlined plant at Memphis, Tenn., by November 1950. The reasons given for the move by the company were based on relative costs of production and transportation, the growth of markets in the Middle West and South, and the obsolescence of the Auburn plants which were 50 to 100 years old.

In order to soften the blow to its employees, International Harvester management agreed to help them find other jobs in the local area but did not hold out the opportunity to transfer to the new plant. Under established company policies, displaced workers would be eligible for termination pay based on years of service and earnings and, for those who retired, payments to supplement Federal OASI benefits. To help the community bring in new employers to the area, International Harvester agreed to sell its Auburn property to a group representing the community for \$1.

Action programs

Following the International Harvester announcement several groups and officials attempted to organize programs to meet the prospective loss of 1,800 jobs and the consequences thereof. The unions at International Harvester (the

FE-CIO) organized a mass meeting and set up a citizen's committee to save Auburn. Union leadership maintained that International Harvester did not have to shut down its local operations and that management was unmindful of its social obligations in throwing its workers out of jobs when there were no other opportunities available. Almost simultaneously, the mayor of Auburn appointed another committee with a mandate to try to reverse the International Harvester decision and, if this move failed, to help bring new plants into the area. Another group, the chamber of commerce, decided that the International Harvester decision was final and that the important business at hand was promotion of new industries. After it became clear that International Harvester management would not reverse its decision, local efforts to bring in new plants centered chiefly around the activities of the chamber of commerce industrial development committee.

Under the able leadership of the manager of the Auburn office of the New York State Electric & Gas Corp., the chamber of commerce committee developed a campaign that included: (a) taking over the International Harvester properties in the name of the community; (b) raising a promotion fund from local citizens and business concerns to make necessary repairs to International Harvester plants and to print and distribute promotion literature; (c) notifying business concerns and industrial realtors of the availability of idle plant and manpower in Auburn; and (d) seeking help of interested State agencies, such as the State department of commerce, in the job of promotion.

The committee's campaign proved to be effective almost immediately. All groups in Auburn supported the effort to promote the community as a desirable location for new industries and a fund of \$50,000 was quickly raised for this purpose. Part of the money was used to make essential repairs and alterations to the International Harvester plants and most of the balance was used in promotion efforts. By the early part of 1951, the International Harvester space had been leased to several concerns under agreements that stipulated the minimum volume of employment that would be maintained in each case. In addition, General Electric decided to locate one of its new branch plants on the western outskirts of Auburn. As a result of these efforts the number of jobs that were expected to be created by the new concerns exceeded those lost by the International Harvester shutdown, although a large proportion of these jobs would require women and therefore would not be open to most displaced International Harvester workers.

Fate of the displaced workers

Although the shutdown was timed to give International Harvester employees over a year to prepare for the eventual loss of their jobs, most workers did not quit in advance but waited to be laid off because no other suitable jobs were available for the bulk of them. Shortly after the layoffs took place, however, the conflict in Korea began and the resulting stimulus to business provided more jobs in Auburn plants. Also, new job opportunities developed in communities within a 50-60 mile radius of Auburn. In addition, several construction projects in or near the city were launched.

The effect of the expansion in the demand for labor was to make the period of involuntary unemployment short for most of the displaced workers. About two-thirds of them drew unemployment insurance benefits, although only a small proportion of these people were unemployed long enough to exhaust their benefit rights (26 weeks at that time). Those who found new jobs hard to get were over 50 years old. Some of these older people retired. Very few of the displaced workers moved away from Auburn.

When a sample of the former International Harvester workers were questioned about 2 years after the shutdown, it was found that about a quarter considered themselves better off than before the change. An equal proportion felt they were worse off. The balance felt that their job situation was about the same. On the average, however, earnings were about 17 percent lower than they had been at International Harvester. Only 5 percent were unemployed.

Judging by the responses received from about 160 former International Harvester workers, these people had succeeded in getting other jobs mainly at other factories in Auburn and in other communities within a 50-mile radius. Direct application by the individual with the help of tips from friends and relatives were the principal methods used. About one-third of those displaced were hired by a new company that took over the former International Harvester foundry. Some found work in Syracuse, Geneva, and in Seneca Falls. Highly skilled workers had no difficulty in locating jobs in their regular occupations. Other workers seemed to have had little difficulty in meeting job requirements for operators in

other plants. A good many former International Harvester workers were employed by a concern that took over part of the former International Harvester plant for the manufacture of shell casings. There was no community-sponsored retraining program and none seemed necessary.

Consequences of the shutdown for the community

Because of the general improvement in business in the last half of 1950 and the reemployment of most of International Harvester workers, the Auburn community suffered no obviously serious losses from the shutdown. Retail trade, as measured by employment, increased. The volume of jobs in construction expanded. Relief agencies found their caseloads declining. Young people entering the labor market found no unusual difficulties in locating jobs.

From the community point of view, the International Harvester shutdown had shown, once again, that industrial change could prove advantageous under favorable circumstances. The volume of employment in 1953 reached a new peak for the area and the job pattern was more diversified than it had been because of the variety of new industries in the area.

Post Korean war difficulties

With the cutbacks in defense contracts and the general letdown in business that developed in the fall of 1953 and in 1954, Auburn again was faced with a serious problem of unemployment. The proportion of the labor force without work again exceeded 12 percent. One of the concerns that took over part of the International Harvester plant found its production schedule for shell casings drastically cut so that about 1,000 employees were laid off. Many of these people had formerly worked at International Harvester. In addition, the departure from Auburn of several small plants threw additional people out of work. Industrial promotion became much more difficult under conditions of declining business.

Currently the unemployment situation is considerably better than in 1954 but the net gains in job opportunities achieved following the International Harvester shutdown have been seriously reduced. Even though none of the new plants brought into the area has left or failed, the departure of 10 other small plants that employed about 800 people has meant that the gains in new jobs have, as of the present, failed to balance the losses since 1950.

SIGNIFICANCE OF THE AUBURN EXPERIENCE

Obviously broad generalizations about the rehabilitation of industrial areas are not justified on the basis of 1 case study which reflects the unique experience of 1 small community. The experience of Auburn should be studied in comparison with the developments in other communities faced with similar problems.

In retrospect it appears that the immediate recovery of Auburn from the International Harvester shutdown can be attributed to three separate but inter-related factors:

(1) The policies of International Harvester in giving notice in advance of the shutdown, in providing termination pay and supplemental retirement allowances and in turning over the plants to the community. These policies helped to prepare workers and the community for the shutdown. With the acquisition of the International Harvester property, the chamber of commerce committee had something tangible to sell.

(2) The general influence of a rise in employment opportunities stimulated by Federal Government action growing out of the Korean conflict. Without the encouragement to business of a generally expanding economy, the job of selling idle plants becomes difficult if not impossible.

(3) The initiative and imagination shown by local business leadership in promoting Auburn as a desirable site for new business concerns. Those who were closest to the Auburn problem and had the most at stake in its solution proved to be the most effective salesmen and promoters. The sympathetic understanding and assistance of interested State and Federal agencies concerned with local unemployment problems were useful, but not vital, to the Auburn Industrial Development Committee.

In brief, the Auburn experience with the International Harvester shutdown suggests that local area rehabilitation problems require the combination of local initiative, imagination, and something tangible to sell with a generally expanding economy. Under such circumstances it is possible to carry out industrial de-

velopment programs without engaging in the pirating of business concerns by one community from another.

It appears that Auburn, like other small industrial centers has not been growing as rapidly as larger industrial areas in this State and elsewhere. The most rapid rate of growth in manufacturing employment during the past 20 years has been in the outskirts of the larger industrial centers. Industrial developments during World War II appear to have accelerated this trend rather than to have produced a geographic dispersion of industrial plants. The reasons for this trend are conjectural but probably include such factors as the existence of established plants which have room for expansion, the attractiveness of larger metropolitan areas to business executives as places to live, the fact that labor supply is sufficiently mobile geographically to staff new plants located in the outskirts of large cities, nearness to markets, and better transportation facilities for personnel and for products to and from larger centers. So long as present trends in the location of new plants continue, smaller centers like Auburn will have difficulties both in holding older concerns that may have obsolete plants and in attracting new concerns.

What can communities such as Auburn do in the face of the trends noted. They obviously must be continually prepared to meet the challenge of industrial change and to compete for new concerns. Industrial development programs probably can best be conducted by those who have most at stake in the outcome, and this means local leadership. Since the success of promotion efforts is important to all segments of the community, it would seem advisable to make these programs a responsibility of local government or at least arrange for the active participation of all important local groups, including organized labor as well as management. In most instances, local development campaigns probably can be and should be, financed locally. Technical assistance in conducting such campaigns might be furnished by State and Federal agencies.

Perhaps the most important contribution that the Federal Government can make to local efforts is to use its fiscal and other powers to maintain a generally expanding economy with full employment. Under such conditions local areas will find industrial development programs facilitated. It is unrealistic to assume, however, that all areas can and will grow equally rapidly.

Senator SPARKMAN. Mr. Batt.

STATEMENT OF WILLIAM BATT, JR., EXECUTIVE SECRETARY, INDUSTRIAL DEVELOPMENT COUNCIL, TOLEDO, OHIO

Mr. BATT. The chronic unemployment areas that we speak a lot of, primarily the textile towns of New England and the coal towns of Pennsylvania, West Virginia, and the Ohio Valley, are those which have been undergoing unemployment for a long period of time. I remember once we looked at the figures on employment in the coal industry. We found that it had been continually declining ever since 1900. These can be defined as areas of chronic unemployment, like Jasper, Ala., down in your part of the world. Those areas we have unemployment in, whatever the national economy is doing.

Toledo is not one of those areas. Toledo is like other metalworking towns of the Middle West, where you have severe unemployment depending on the business cycle nationally. This is true of most of the automotive towns of Michigan and Ohio. It is true of the farm-equipment towns of Illinois, Wisconsin, and Iowa; it is true of towns that are in household appliances like Evansville, Ind. This is the category in which Toledo belongs.

Toledo is an industrial city of 300,000 population located at the western edge of Lake Erie. Over 50 percent of its manufacturing employment is in the automotive industry, particularly the new automotive industry as distinct from the replacement-parts industry.

This has subjected the community to severe seasonal and cyclical fluctuations typical of that industry.

There may have been some doubts in some parts of the country what happened in 1953-54, but out in the metalworking towns of the Middle West it was a recession, and in Toledo it was a first-class recession. Area unemployment went from 8,500 to 16,000, from 4.4 to 8.5 percent of its labor force.

Fortunately, Toledo is a good town for joining forces, and all forces, including labor, to meet common problems. Business, labor, and the local newspaper, the Toledo Blade, combined their efforts in February of 1954 to establish the Toledo Industrial Development Council, which actually comprises 4 members, 2 from business and 2 from labor, and raised a 3-year \$100,000 budget.

TIDC's job, very much like that of similar efforts in other communities we are talking about this morning, has been to help create new jobs, first of all by improving the industrial climate in the Toledo area; secondly, by helping existing manufacturers expand, and, thirdly, by bringing in new manufacturers to employ new workers.

The economic climate has been improved over the last year and a half that our program has been in existence by, first of all, establishing one of the best records for industrial peace and productivity of any city of its size in the Nation, and, secondly, by creating an 89-acre planned industrial district, as well as an ever-available plant program in that district.

The expansion of existing manufacturers so far includes 6 companies in 5 different industries totaling 4,375 new jobs. In addition, 4 new companies have come to Toledo representing 4 other industries, and creating 1,660 new jobs. This makes an estimated total of 6,035 new jobs in the year and a half since the TIDC was first organized. A large proportion of this new employment fortunately is in growth industries other than the predominant automotive industry, like food, electronics, plastics, glass, and jet engines, thereby giving the community some added stability in any future recession.

I would like to note there that of this 6,000 new jobs, 4,500 came primarily because modern plant space was available. This is the point that Mr. Adams made in connection with Auburn.

I would just like to name briefly those companies, because each one has a separate story.

Commercial Ink & Lacquer, Inc., a small printing ink concern from New Jersey, brought 50 new jobs. They were attracted to Toledo for locational reasons, and also because of an existing facility which they could take over.

Continental Aviation & Engineering Corp., a manufacturer of jet engines, came in to create 1,500 new jobs, of which we have so far realized 400. A beautiful Government plant, a 270,000 square foot, 1-story modern facility, was the primary reason that Continental came to Toledo.

I want to express our warm thanks to the Office of Defense Mobilization, and the Air Force, and Dr. Arthur Flemming personally for a strong assist in getting that plant opened up for a new industry. That plant was in mothballs as part of an Air Force Reserve, and it took us 9 months to get it unfrozen.

It occurs to me there may be other plants in areas of heavy unemployment throughout the United States where Government facilities are there but are frozen for some other reason that might be broken loose.

Permaglas, Inc., a small manufacturer of glass fibers, 50 new jobs. Again, an existing building, in that case a former hangar which was adaptable to their needs at the airport which we gave up when we built a new civic airport.

Now, in terms of expansion of existing industry, H. H. Buggie, Inc., a manufacturer of electronics with 175 new jobs, again an existing building on this same airport which has been converted into a factory.

General Mills came in to manufacture cake mixes and breakfast cereals. Again the big attraction was an existing plant, a beautiful, modern, 150,000-square-foot, 1-story plant.

General Motors has come in, just announced a week before last, with a new plant which will employ 2,500 new people. The attraction there: an existing plant, 1-story, modern plant space, half a million square feet which they were able to get hold of from an existing concern which needed smaller facilities.

I cannot emphasize this factor of plant space availability too heavily.

Over this year and a half unemployment has dropped from 16,000 to 7,000, from 8½ percent to 3.7 percent of our labor force, very slightly above the national average. Most of the improvement so far has resulted from the national automotive boom, and resulting callbacks in Toledo's automotive parts plants. Most of the 6,000 new jobs we talked about TIDC helping develop will not be realized until next spring.

Senator SPARKMAN. May I ask, is that taken account of in the figure you first gave, a drop from 16,000 to 7,000, or are you talking about actual employment as of the present time?

Mr. BATT. The 16,000 to 7,000—yes, the 16,000 to 7,000, that drop is actual employment at the present time.

Senator SPARKMAN. It does not include these projects?

Mr. BATT. It does not include most of the new jobs because of the time lag involved in tooling up and in some cases getting new buildings built. It is a long process.

I want to say a word about ever-available plants. The experience we have had in Toledo, and other communities have had throughout the Nation, indicates the greatest inducement for a company to locate in a community is the availability of modern one-story plant space at a low price. There is a severe shortage of such plant space throughout the country, and the pressure on manufacturers to cut production costs and improve efficiency with straight line production methods is steadily increasing the demand for this kind of space. A very few communities like Lowell, Mass., Amsterdam, N. Y., Scranton, Wilkes-Barre, Pottsville, Pa., and Toledo, Ohio, are providing such plant space today, prior to sale or lease of the space. We call this our ever-available plant program.

These plants are built with privately or publicly subscribed funds. They are designed to meet the needs of most manufacturers. The funds are generally revolving funds so that as soon as one building is sold or leased, and the lease is sold to an insurance company, pension fund or other private investors, the risk capital can be reinvested in

another factory and another after that, so that with a very small investment you can make it go a long way. Wherever possible these buildings are located in planned industrial districts.

If I were asked, as the panel was asked by Senator Sparkman yesterday, what was the one most important factor in correcting area unemployment, I think I would say the availability of modern one-story plant capacity in an expanding national economy.

I would like to reserve my other recommendations, if I could, Senator, until this afternoon.

Senator SPARKMAN. Very well.

(The complete statement of Mr. Batt is as follows:)

MODERN PLANT SPACE: KEY TO CORRECTING AREA UNEMPLOYMENT IN TOLEDO
AND THE NATION

William L. Batt, Jr., executive secretary, Toledo Industrial Development Council

NATURE OF TOLEDO'S UNEMPLOYMENT

There may have been some doubt in the rest of the country what was happening to the economy in 1953 and early 1954. But in automotive towns like Toledo, Detroit, Kenosha, and South Bend, there was no doubt at all. It was a full-fledged recession. Not only had the Federal Government cut down its defense spending radically with the end of the Korean war, but one of the Big Three automobile manufacturers and all of the independents were losing sales, cutting back production, and curtailing orders from their parts manufacturers.

Any community with a disproportionate number of its jobs concentrated in a single industry is due for a major shock when that industry goes into a recession. This has been the experience of the textile towns of New England and the coal towns of Pennsylvania, whose basic industries have suffered a long-term decline. It has also been true in metal-working towns of the Midwest, fortunately for shorter periods. The Quad Cities and Racine, for instance, are in trouble whenever farm-machinery production declines. In Evansville, it's refrigerators. One recent estimate indicates that Toledo, like Detroit, has over 50 percent of its manufacturing employment dependent upon the new automotive market. This is the feast or famine part of the automobile market. The replacement-parts business is far more stable.

In 1953 and 1954, this was a weak reed to lean upon. Toledo's unemployment went from 8,500 in May 1953 to 16,000 in May 1954, from 4.4 percent to 8.5 percent of its labor force. The unemployment centered in three automotive plants, Willys Motors, Electric Auto-Lite, and Dana Corp., although many other shops, large and small, felt the shock. Rossford Ordnance Depot, Toledo's major military installation, dropped 2,000 employees, while an Air Force contractor, A. O. Smith, had its B-52 landing gear subcontract canceled, rendering 1,500 workers jobless and closing down a 270,000-square-foot plant. Fortunately, there were bright spots. Libbey-Owens-Ford, producing curved glass windshields for General Motors and flat glass for the booming construction industry, held its own job-wise throughout the recession, as did many smaller companies in the area's growing number of diversified industries.

HOW THE TOWN SET UP TO MEET IT

Leadership in Toledo is exceedingly responsive to the community's needs. This is probably derived in part from the fact that, while the city boasts a population of over 300,000 and a metropolitan area comprising 413,000, it is small enough that community problems do not become compartmentalized. For example, when area industrial relations were critical a decade ago, the then Mayor Michael DiSalle established the labor-management-citizens committee to help promote industrial peace. The city's leading industrialists, labor, and civic leaders still give their time to this voluntary mediation board and are in part responsible for the establishment of what has become the best industrial peace record in the State.

When unemployment became severe in late 1953, the chamber of commerce, the AFL and CIO, the city government, and the Toledo Blade all wanted action to initiate an aggressive industrial development program. Rather than dissipate their efforts in competition, they joined forces and combined funds in a Toledo Industrial Development Council. This council is governed by a 4-man board of trustees, 2 from business and 2 from labor—Franz Berlachner from the AFL, Richard Gosser from the CIO, Charles Ide from Toledo Edison, and Michael Yamin from Lasalle's the largest department store. The writer serves as executive secretary.

OBJECTIVES

The objectives of TIDC are generally the same as those of similar organizations that are mushrooming up elsewhere throughout the country, as communities realize the need for new job opportunities to offset unemployment and keep pace with the growth in their labor forces. These objectives are three: to help existing industry to expand, to help bring in new industry, and to improve the industrial climate.

Industries all over the country are expanding their plant and equipment at an almost unprecedented rate. At the same time, communities, railroads, and utilities, from coast to coast, are competing feverishly for this industry. In order to be seen in the crowd, a community has to offer something to expanding industries that they cannot find elsewhere.

After a manufacturer has decided on a general region in which to establish a branch plant—a region that may include 2 to 3 States—he starts looking for plant space or possible sites for new plants. A large part of TIDC's efforts over its first year and a half has been to create some better mousetraps so that the industrial world will find its way to Toledo's door.

ORGANIZING A PLANNED INDUSTRIAL DISTRICT

Industry more and more is looking for planned industrial districts in which to locate branch plants. A planned industrial district is an area of choice industrial land fully developed for industry, just as a residential subdivision is developed for housing. The location must be well served with highway networks and rail sidings, and complete with all utilities—water, sanitary and storm sewer, gas, electricity, and telephone, and it must be zoned for industry. Potential manufacturers and distributors like to find areas where these problems are taken care of for them. There are about 100 such districts in the United States. One of the TIDC's first jobs in improving climate for industry was to create one in Toledo.

With the help of a survey of industrial sites from the local plan commission and advice from the real-estate board, a group of local architects and engineers, and the city government, possible sites were reduced to three. Then meetings were arranged with the industrial panel of the Urban Land Institute and the Area Development Division of the Department of Commerce, and one site was chosen. Principal reason for its selection was its location at an interchange of a new expressway which will connect Detroit and Toledo with the Ohio Turnpike, just south of the city. It took 9 months' hard work to bring this dream into reality, and another 10 months before all the utilities were completed and the first factory started turning wheels and employing Toledo workers. Here were some of the hurdles that had to be surmounted:

1. The plan commission had to change its master plan for 24 acres of the site's 89 acres to conform with its present industrial zoning.

2. The owner, a food manufacturer, had to be persuaded to develop their land as a planned industrial district at their own expense rather than sell it off piecemeal. This involved an investment of several hundred thousand dollars, and was based on a careful engineering and economic study showing how this investment would be returned over a period of years.

3. The New York Central Railroad, which borders the industrial park, had to agree to put rail into the property without any foreknowledge of the rail tonnage to be produced.

4. The city administration had to agree to an overpass on a future expressway to permit the rail to come through to the front of the 89 acres, and the road to go back to the rear.

When all these objectives were gained, the expressway industrial park was launched. Since then, the owners, with TIDC assistance, have been implementing those decisions and promoting the park with American industry. Two national concerns, Sterling Precision Instrument Corp. and Graybar Electric Co., are now building plants there. Two more national firms are finalizing arrangements for locating there. And a number of others have expressed their interest in the site.

EVER-AVAILABLE PLANTS

Our experience indicates that companies often cannot wait to build their own building, but need one immediately. Lowell, Mass., and Scranton and Pottsville, Pa., have built buildings prior to signing up manufacturers in order to meet this need. No midwestern community had such space available. TIDC determined to create such ever-available plants in Toledo. Various private investors were approached, the feeling being that such buildings represented economic undertakings, and private capital in a city this size was ample.

Finally, a group of small-business men interested in economic development of this area combined their resources, and the first ever-available plant is now under construction at the expressway industrial park. They plan to use their invested capital as a revolving fund, building another plant each time one is sold or leased.

NEW INDUSTRY

Interesting outside industries in one's city, providing them with accurate economic data about it, and convincing them to locate there is the principal concern of every industrial developer. TIDC is no exception. Expansion plans are among most companies' top secrets. So the developer's first problem is to find out who are his customers. Every manufacturer in the Nation is his prospect. Best source for leads is an alerted community. Leads have come to TIDC from manufacturers, salesmen, realtors, public officials, lawyers, labor leaders, utilities, railroads, neighbors, and interested citizens from many other walks of life. Other leads come from special mailings, advertisements, personal visits, and other sources.

After determining whether or not a company has a need for space in your part of the country, it is necessary to find out exactly what he needs, and then discover whether or not you can produce it. Does he want an existing building, or does he want to build one of his own? What dimensions? What ceiling heights? What transportation and utilities?

Right after Labor Day, the local utility representative and I spent 2 days researching the surrounding countryside for a spot where a western manufacturer could find a hundred acres with rail service, a labor force of over 500 workers, and access to 4 million gallons per day of water. We found one, after expending generous amounts of shoe leather in the search.

Research—accurate information on your community to permit the staff men of interested manufacturers to make comparisons with other communities—is an important part of every developer's job. TIDC has put together, with the help of the chamber of commerce, a fact book with answers to the most asked questions, called Toledo Industrial Data Compiled. Included are aerial photomaps of typical sites—like our new expressway industrial park—an idea borrowed from the Chesapeake & Ohio Railroad. The city engineers prepared these for the fact book.

Following up on interested prospects and trying to elicit a favorable decision, as any salesman knows, is the most difficult job of all. Since these are always major corporate decisions involving entire boards of directors, the most useful thing a developer can do is make sure the staff executive making the recommendation has all the facts on the area in question. Observation of this process for many years leads to the conclusion that the most economic location usually wins out.

Once the company decides to come, the job is not over. They need help in getting their plant built, getting utilities in, finding housing for their top staff, and in clearing any other roadblocks. Most unique experience TIDC has had in this connection was when Continental Aviation & Engineering took over Air Force plant No. 27 just before Christmas last year. A few days after the an-

nouncement, they called in some distress to report their lawyers said they could not do business in Ohio with the word "engineering" in their title. The city legal officer came to TIDC's assistance, confirmed the fact, and set up a session with the State attorney general in Columbus. Within a week, that official produced an opinion reversing one by a predecessor which opened Ohio to Continental and 1,500 new jobs in aircraft-engine manufacturing.

Three other new companies have also come to Toledo with TIDC assistance.

Company	Industry	New jobs
Commercial Ink & Lacquer, Inc	Printing ink	50
Continental Aviation & Engineering Corp.....	Aircraft engines	1,000
Permaglas, Inc.....	Glass fibers.....	50
Sterling Precision Instrument Corp.....	Plastic.....	60
Total employment from new industries		1,660

EXPANDING EXISTING INDUSTRIES

Helping existing industries to expand is also an important part of every development council's work. Over the year and a half of TIDC's life, significant assistance in site location, plant construction and renewal, productivity improvement, and other expansion problems has been given by TIDC to several local manufacturers. A list of all major expansions follows. Note the diversity of industries represented in both these lists.

Company	Industry	New jobs
AP Parts Corp.....	Mufflers for replacement use	100
H. H. Buggie, Inc.....	Electronics.....	175
General Mills, Inc.....	Breakfast cereals.....	200
General Motors Corp., Chevrolet-Toledo division.....	Automotive.....	2,500
Libbey-Owens-Ford Glass Co.....	Glass.....	1,000
Toledo Desk & Fixture Corp. (Crane Co. subsidiary).....	All-steel kitchens.....	400
Total employment from expanding industries.....		4,375
Total employment from both new and expanding industries.....		6,035

TOLEDO'S EMPLOYMENT PICTURE TODAY

When the Bureau of Employment Security announced in July that Toledo was no longer a group 4 area, they confirmed a steady improvement that the community had observed for some months. Unemployment has been more than cut in half since its May 1954 peak of 16,000 to a current estimate of 7,000, or 3.7 percent of our labor force. The figures for the beginning of the recession, peak of the recession, and today look like this:

Date	Unemployment	Percent of labor force
May 1953.....	8,500	4.4
May 1954.....	16,000	8.5
September 1955.....	7,000	3.7

Most of this improvement to date has been due to the unprecedented 1955 automotive production. Electric Auto-Lite, Libbey-Owens-Ford, and the Dana Corp. have been the primary contributors to this improvement. While external factors such as the general automotive improvement and that of the Chrysler Corp. in particular have been most important, a large share of credit must go to the intensive efforts that have been made over the last year and a half by labor and management jointly to improve productivity and to become more competitive.

Because of the timelag in plant construction and tooling up, most of the 6,000 new jobs will not be realized until well into 1956. This new employment probably means a new capital investment of about \$90 million in plant and equipment and will produce an annual payroll of about \$24 million. Since 9 of the companies involved are in industries other than new automotive and the 1 automotive company is probably from as stable a segment of that industry as there is, this employment should add to the stability of the area's economy, as well as substantially solve most of this area's unemployment problem. Additional diversification is needed if the area is to secure greater immunity from any future recession in the automotive industry. Needless to say, the dramatic improvement noted here could only have taken place in the context of a high level of prosperity throughout the Nation. The business and labor community's approval of the program so far and the determination to continue it have both been evidenced in their subscription of an additional \$60,000 more to its support.

REVOLVING FUNDS FOR EVER-AVAILABLE PLANTS

The experience we have had in Toledo and other communities have had throughout the Nation indicates that the greatest inducement for a company to locate in a community is the availability of modern, one-story plant space at a low price. There is a severe shortage of such plant space throughout the country, and the pressure on manufacturers to cut production costs and improve efficiency with straight-line production is steadily increasing the demand. A very few communities, like Lowell, Mass.; Amsterdam, N. Y.; Scranton, Wilkes-Barre, and Pottsville, Pa.; and Toledo, Ohio, are providing such plant space today.

As I described in Toledo's case, these plants are built with privately or publicly subscribed funds. They are designed to meet the needs of most manufacturers. The funds are generally revolving funds, so that as soon as one building is sold or leased, and the lease is sold to insurance companies, pension funds, or other private investors, the risk capital can be reinvested in another factory and another after that. Wherever possible, these buildings are located in planned industrial districts.

The greatest single aid that the Federal Government could give toward the solution of area unemployment would be to assist these areas technically and financially in initiating ever-available plant programs in each such community.

How big a job would that be? There are currently (September 30, 1955) 17 major areas and 48 minor areas classified as areas of chronic unemployment, a total of 65. Assuming a construction cost of \$5 a square foot, and an average factory size of 50,000 square feet, the revolving fund for each area could be \$250,000 or \$16 million for all 65 areas. The Government should be authorized to provide loans or loan guaranties for, say, two-thirds of this investment, the remainder coming from local sources. All of these communities with which I am familiar have private financial resources, but this approach of building factory buildings before you have occupants is frankly unorthodox, and Federal assistance would encourage the necessary private investment and speed the provision of new jobs for idle workers. With perhaps \$10 million in loan and loan guaranty authority, the Federal Government could stimulate a private investment of \$35 million initially in new plant and equipment and the creation of approximately 3,000 jobs where they are most needed. The ultimate goal would be to keep the funds revolving until these areas reached the full-employment levels being enjoyed by the rest of the country. The job of the Federal Government in this area would be to work itself out of a job.

THE SIZE OF THE JOB

Admittedly, this \$10 million is only a pump primer—a little extra gas to get the economic engine started again in those areas where it has stalled. I estimate it would take about \$90 million in Federal loans and loan guaranties, say \$18 million a year for 5 years, to get the new plants built that would solve our chronic area unemployment problem in our 17 major areas. This figure, which represents one-half of the outside capital needed to finance the new factories required to restore full employment in the Nation's 17 major labor surplus areas

(see col. 12 on the attached chart), has been arrived at by starting with the number of unemployed, area by area, and calculating the capital investment required to lower that area unemployment to the national average. Then we took the part of that investment that would be in factory space as distinct from machinery and equipment (one-fourth) and made allowance for the amount of this to come from traditional sources of private financing (two-thirds). I have not been able to obtain comparable figures for the 48 smaller areas with chronic surplus labor, so these estimates are an understatement by that amount.

Here is what the total figures look like for the 17 major chronic labor surplus areas, starting with column 1 on the attached chart. They comprise 3.8 million people, 1.5 million of whom are in the labor force, 190,000 (12½ percent) of whom are jobless. Over 83,000 are unemployment-insurance claimants, receiving \$2.5 million in benefits weekly, or \$137 million annually. To restore prosperity to this area calls for creating 145,000 new jobs, half of which must be in manufacturing. New capital investment of \$1 billion is required, \$271 million in plants alone.

If area unemployment is to be corrected in these 17 areas, this investment must be generated by some combination of private and public, local, State, and National sources. Ninety million dollars in loans and loan guaranties is my estimate of what the Federal share might logically be.

It makes much more sense to invest \$90 million once in an all-out effort to correct area unemployment than to spend \$137 million year after year to subsidize this unemployment.

Taking Lawrence, Mass., center of the most severe unemployment in the Nation, as a case in point. With a 1950 population of 125,900 and March 1955 labor force of 50,800, Lawrence had 11,500 jobless, or 22.6 percent of its labor force. Maintaining this idle labor surplus in Lawrence costs \$124,000 every week or \$6½ million a year. To bring national levels of full employment to Lawrence, we need to create 9,976 new jobs, 4,988 in manufacturing. At \$15,000 capital investment per job, this means a total new investment of \$74,820,000, \$18,705,000 of which will be in new factory buildings, the rest in machinery.

One-third of the cost of these buildings usually comes from the owners—either the prospective manufacturers or the community development corporations for lease to the manufacturers. Two-thirds of the cost of these buildings, or 12½ million, can be obtained from loans from private investors, like banks, insurance companies, and pension funds, if the incoming company's credit is impressive enough.

There will be many cases—I am working with a couple for my community right now—where the company has real growth potential and would employ people, but their past earnings record is not blue-chip enough for necessarily conservative financial institutions. State development credit corporations help fill this gap in the four States which have them. Here is where the Federal Government can make a real contribution, either by taking the risk out of the private loan or by making the loan itself.

In Lawrence's case, this would involve loans or loan guaranties for some part of \$12½ million. If that part went as high as 50 percent, it would mean \$6¼ million as the estimated financial participation by the Federal Government needed to solve unemployment in this most critical area. This \$6¼ million nonrecurring investment compares with a continuing annual expenditure of \$6½ million in unemployment insurance which we are now paying to subsidize Lawrence's unemployment. May I acknowledge here the great assistance of the Bureau of Employment Security's Office of Program Review and Analysis, and the Toledo office of the Ohio State Employment Service in preparing these figures.

I hope that this idea of ever-available plants for all areas of chronic labor surplus can be included in any legislation enacted by the Congress to help solve area unemployment. Experience to date indicates it is the most effective single program any community interested in economic development can have.

Also I hope these estimates of capital investment required will suggest to your committee a technique for measuring the size and severity of this chronic area unemployment problem, the drain it represents on our economy, and the cost of solving it.

OTHER RECOMMENDATIONS

While helping create new plant space is far and away the most important thing the Federal Government can do to correct area unemployment, no consideration of the problem would be complete without touching on several additional measures currently under discussion.

Additional tax amortization and defense contracts

Experience with these programs to date proves that they have been well worthwhile. In these 17 major chronic areas, tax amortization has encouraged the investment of \$42½ million and the creation of 3,600 new jobs. In all surplus areas, \$204 million has been invested in new plant and equipment creating 9,000 new jobs; \$240 million in defense contracts has employed an additional 24,000 workers for 1 year in the 17 areas; \$880 million in all surplus areas has employed 88,000 workers for 1 year. Obviously, these programs should be continued and strengthened by writing them into law.

Technical assistance—domestic point 4

Both the Commerce and Labor Departments have some experience in providing technical assistance to surplus labor areas. The Government has much more experience in providing technical assistance abroad through the Marshall plan and the point 4 programs. One difference has been that in the foreign programs, Government has had money to spend, and has used the best private consulting firms available to supplement Government resources. These professional engineers, economic developers, market researchers, and other technicians should be used to help these communities plan economic development programs, build plants adequate to reemploy their labor force, and find manufacturers to go in them. Experience of the eastern Pennsylvania anthracite towns should be shared with the southern Illinois, northern Alabama, and eastern Kentucky soft coal towns; resources of the utilities, railroads, and State governments should be drawn on in a concerted attack on the problem. The Federal Government's role should be that of a catalytic agent, a clearinghouse, a source of supplementary financing, and an overall planner, expeditor, and scorekeeper to see that the job gets done.

Additional statistical data required

The area classification work done by the Office of Program Review and Analysis of the Bureau of Employment Security is undoubtedly the most useful economic data now available in this area. Estimates of unemployment should be published regularly for each unemployment area, together with percentages of the labor force they represent and estimates of the new jobs needed to restore the area to national levels of full employment.

Another statistical series that would be most helpful is comparative data on work stoppages. Most of these areas we are concerned about are handicapped in their recovery efforts by a reputation for industrial strife. In most cases, this may have had some validity 20 years ago, but is not true today. But proving that fact is impossible because of the inadequate coverage and incomparability of the Bureau of Labor Statistics figures on work stoppages.

Every chronic labor surplus area should be covered by BLS, and the figures should be made comparable by expressing man-days lost not only as an absolute figure but also as a percentage of the nonagricultural wage and salaried workers (a BES series) in order to derive a figure for man-days lost per worker. We have done this in Toledo, and the resulting picture of continuing improvement in industrial peace in the area has been one of our most telling arguments for bringing new industry in.

Opportunities for private business to help

The business community has opened itself to severe criticism for having caused many of these surplus labor conditions by their decisions to move out or shut down (as with American Woolen in Lawrence) and then accepting no responsibility, individually or as a group, to correct the conditions they have caused. There have been rare exceptions, like Westinghouse in Sunbury, Pa., which indicate what socially responsible business can do. With the leadership in this field now being evidenced by the Congress and administration, it is to be hoped that the business community will assume greater responsibility too. Here are some obvious places they can start:

(a) Companies becoming noncompetitive in any plant should obtain union and community cooperation in correcting that situation in that community before deciding to move out.

(b) If a move proves unavoidable, the company should not only make the best possible provision for its workers, but also assist the community in organizing an industrial-development program and obtaining a replacement industry.

(c) Expanding industries should make the most of these reservoirs of surplus labor in locating their new plants. The SEC and Department of Commerce report manufacturing industry expanding at an annual rate of \$11 billion. Compare this to the estimate in column 10 of the attached chart of \$1 billion in new plant and equipment needed to provide the necessary 72,000 manufacturing jobs in the 17 major surplus labor areas. A small proportion of current industrial expansion would solve this problem.

(d) Private financial institutions—banks, insurance companies, and pension funds—can find an important outlet for their investment needs in financing plants in these areas. Insurance companies alone have to find places to invest many billions annually. The potential in industrial mortgages in the areas totals \$180 million (see column 12).

(e) Research, policymaking, action, and business-supported study groups like NPA, CED, United States Chamber of Commerce, NICB, and NAM should provide leadership in studying this area unemployment problem, evaluating the measures already taken and recommending to the business community measures, such as the above, they might take to help solve it. These organizations are interested in the success of the private enterprise system, and here are areas where it is clearly not functioning satisfactorily.

In addition to whatever action this committee decides to recommend to the Congress or the administration, I would like to see them throw out a real challenge to the business community to accept their share of responsibility in solving this national problem.

Those of us who have been working in the field over the past year hope that today's bipartisan agreement on the need for Federal action to strengthen this weak link in our Nation's economy presages effective legislation in the forthcoming session of Congress.

Capital investment required in labor surplus areas (groups D, E, F) to reduce unemployment to 3 percent of labor force

State and area	Population 1950	Labor force March 1955	Unemployed		Unemployment insurance			Number of jobs required to balance labor force	
			Number, March 1955	Percent of labor force	Average weekly claims	Payments		Total	Manufactur- ing
						Weekly	Annual			(8)	(9)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Indiana: Terre Haute.....	105,200	54,700	6,200	13.6	1,499	Thousands \$45.0	Thousands \$2,338.4	4,829	2,414
Massachusetts:									
Fall River.....	139,400	58,000	4,100	7.1	4,018	100.4	5,223.4	2,360	1,180
Lawrence.....	125,900	50,800	11,500	22.6	4,977	124.4	6,470.1	9,976	4,988
Lowell.....	143,100	50,650	5,200	10.3	3,353	83.5	4,358.9	3,681	1,840
Minnesota: Duluth-Superior.....	151,200	65,400	8,100	12.4	2,043	67.4	3,505.8	6,138	3,069
New Jersey: Atlantic City.....	139,000	58,000	8,800	15.2	3,867	116.0	6,032.5	7,000	3,530
North Carolina:									
Asheville.....	124,400	51,450	4,450	8.6	1,288	38.6	2,009.3	2,907	1,454
Durham.....	101,600	46,570	4,000	8.6	1,734	52.0	2,705.0	2,603	1,302
Pennsylvania:									
Altoona.....	139,500	54,150	8,850	16.3	1,973	69.1	3,590.9	7,226	3,613
Johnstown.....	291,400	101,600	16,200	15.9	9,519	333.2	17,324.6	13,152	6,576
Scranton.....	257,400	104,950	15,500	14.8	8,852	309.8	16,110.6	12,352	6,176
Wilkes-Barre-Hazleton.....	392,200	144,300	19,750	13.7	15,330	536.6	27,900.6	15,421	7,710
Puerto Rico:									
Mayaguez.....	87,300	34,300	6,700	19.5	-----	-----	-----	5,671	2,836
Ponce.....	126,000	36,900	5,100	13.8	-----	-----	-----	3,993	1,996
San Juan.....	465,000	160,800	15,500	9.6	-----	-----	-----	10,676	5,338
Rhode Island: Providence.....	737,200	354,741	35,300	9.9	18,497	554.9	28,855.3	24,658	12,329
West Virginia: Charleston.....	322,100	114,450	15,500	13.5	6,649	199.5	10,372.4	12,066	6,033
Total 1.....	3,847,900	1,532,761	190,750	-----	83,599	2,630.4	136,797.8	144,769	72,384

Capital investment required in labor surplus areas (groups D, E, F) to reduce unemployment to 3 percent of labor force—Continued

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State and area	Capital investment required				Per capita investment required	Total dollar value of contracts placed March 1952-March 1955	Labor surplus tax amortization	
	In manufacturing	For buildings alone, less manufacturing	Raisable from insurance companies	From community, sale of bonds in local development corporation			Amount	Number of additional employees
	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	Thousands	Thousands	Thousands	Thousands		Thousands	Thousands	
Indiana: Terre Haute.....	\$36,210.0	\$9,052.5	\$6,038.0	\$3,014.5	28.65	\$6,553.1	\$4,250.0	213
Massachusetts:								
Fall River.....	17,700.0	4,425.0	2,951.5	1,473.5	10.57	10,554.3	-----	-----
Lawrence.....	74,820.0	18,705.0	12,476.2	6,228.8	49.47	12,642.4	-----	-----
Lowell.....	27,600.0	6,900.0	4,602.4	2,297.6	16.06	23,174.6	-----	-----
Minnesota: Duluth-Superior.....	46,035.0	11,505.0	7,673.8	3,831.2	25.34	440.4	-----	-----
New Jersey: Atlantic City.....	52,950.0	13,237.8	8,829.6	4,408.2	31.71	5,931.1	-----	-----
North Carolina:								
Asheville.....	21,810.0	5,452.5	3,636.8	1,815.7	14.60	7,272.9	35,250.0	2,275
Durham.....	19,530.0	4,882.5	3,256.6	1,625.9	16.00	469.0	302.1	328
Pennsylvania:								
Altoona.....	54,195.0	13,548.8	9,037.0	4,511.8	32.34	853.3	398.0	30
Johnstown.....	98,640.0	24,660.0	16,448.2	8,211.8	28.18	989.2	-----	-----
Scranton.....	92,640.0	23,160.0	15,447.7	7,712.3	29.96	43,212.0	303.0	100
Wilkes-Barre-Hazleton.....	115,650.0	28,912.5	19,284.6	9,627.9	24.55	33,894.9	27.0	100
Puerto Rico:								
Mayaguez.....	42,540.0	10,635.0	7,093.5	3,541.5	40.57	2,405.8	-----	-----
Ponce.....	29,940.0	7,485.5	4,992.8	2,492.7	19.78	99.9	-----	-----
San Juan.....	80,070.0	20,017.5	13,351.7	6,665.8	14.34	616.1	-----	-----
Rhode Island: Providence.....	184,905.0	46,226.2	30,832.9	15,393.3	20.88	88,538.9	1,721.5	522
West Virginia: Charleston.....	90,495.0	22,623.8	15,090.0	7,533.8	23.39	2,747.4	350.0	30
Totals ¹	1,085,730.0	271,429.6	181,043.3	90,386.3	23.48	240,395.3	42,601.6	3,598

¹ Represent sums of individual items.

Explanation and source of data on 17 areas on preceding pages: Col. 1—Bureau of the Census; col. 2 through 5—BES ES-219 reports; col. 6—col. 5 times maximum weekly benefit payments in State; col. 7—col. 6 times 52 weeks; col. 8—col. 3 minus 3 percent of

col. 2; col. 9—col. 8 times 50 percent; col. 10—col. 9 times \$15,000; col. 11—col. 10 times 25 percent; col. 12—col. 11 times 66.7 percent; col. 13—col. 11 times 33.3 percent; col. 14—col. 13 divided by col. 1; col. 15—Department of Defense. Contracts awarded to the textile industry are excluded; cols. 16 and 17: Office of Defense Mobilization.

LOW-INCOME FAMILIES

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Senator SPARKMAN. Mr. Roterus, if you don't mind, I believe I will pass you over and call you last in order that you might be able to sum up more or less, since you are the Government representative, and we will call on Mr. Strong now to give his statement.

STATEMENT OF EARL P. STRONG, DIRECTOR, BUREAU OF BUSINESS RESEARCH, PENNSYLVANIA STATE UNIVERSITY

Mr. STRONG. I should like to point out several causes of the condition that we are discussing here this morning. I am doing this because the two gentlemen preceding me have gone directly to solutions and I would like to take just a moment on causes, if I may.

I am doing this because in the area which I represent, mainly Pennsylvania, we have reason to believe that all of the causes that may bring about this situation are experienced in our State, and that we can give examples on each.

One of the causes is certainly the decrease or depletion of natural resources. In Pennsylvania the natural resources in coal and oil have been the cause of some serious situations and dislocations of people.

Also, there is the possibility of unfavorable location. We have that to a large degree because we have isolated areas, such as Potter County, in our State. Three counties in Pennsylvania do not even have hospitals, to give you an idea of the isolation. Yet in Clearfield County, Curtiss-Wright is making a large expenditure to build a new plant because of its isolation.

The very reason, therefore, the area could not get industry prior to this time was the very one that attracted the industry. A test location was needed by the Curtiss-Wright Co. for their jet engines. Some of the causes that isolate an area may be the exact ones that would attract certain types of industry.

Another cause is the unfavorable labor situation that may exist. We have had that existing in Uniontown, for example, and that has had to be corrected and is being corrected to a large degree today.

Another cause is technological advance that makes industry unnecessary. Altoona, Pa., for example, at one time was a thriving railroad town. It has experienced very serious unemployment. Another cause is the demise of the old and the development of new modes of transportation. For example, 80 percent of those industries and businesses along the Lincoln Highway in our State have found it necessary to move, because of the lack of traffic that was brought about by the Pennsylvania Turnpike.

Now, those are several of the causes of the situation, and, as I say, we have them all in our State.

One of the things that we look for, of course, are the devices which will bring about rehabilitation of industry in these areas. It seems to me that a community that is interested in rehabilitation of its depressed industrial area must consider the device best suited to its particular problem if it will solve the problem effectively.

There are a number of these devices. I should like to point these out briefly. I think they are all important, as we look over the entire situation.

One is the survey of resources. Many towns and cities have resources that are extremely vital to industry, if those resources are known. One of the most interesting that has come to my attention

was the situation in Peoria, Ill., where it was found that the water of the Illinois River was particularly well-suited and adapted to the manufacture of beer. Knowing this, the local people went after such businesses and as a result two beer manufacturers have located there, both of them successful.

In contrast to this, in the town of Bellefonte, there is flowing at the present time a spring of clear, pure water at the rate of 11½ million gallons a day, and only 2½ million gallons of this water is being utilized. Yet, there must be industry somewhere that could utilize this water and would like to know about it, but the facts have not been made known by the local community.

Another device is projections. This has been used mostly by large industry, Weyerhaeuser Timber Co. being one of the most important. This company has looked forward not to 10 years hence, but to 40 and 50 years in the growing of timber in this country. Projections must be thought of in terms of local communities.

Another important device is research. Many such research studies have been done. The State universities, particularly, have been active in this field. At Pennsylvania State University, we have done 42 of such studies. They are really basic data-gathering studies for use by local communities. Such studies are used to encourage industry to come to a particular local community.

Still another device is long-term credit. There must be long-term credit available. Perhaps the most effective device is plant leasing. I think this has been mentioned by the two gentlemen that preceded me, and I would certainly agree that this probably is one of the most important devices that is available.

This device consists of three parts: First, is the acquiring of the plant site. Second, is the erecting of the building or buildings necessary, and third, the leasing of those buildings to industry.

It seems to me this device is the most effective in attracting new industry, as well as in the development of older industry in the area needing additional plant space.

This device has been used, I think, most successfully in Scranton, Pa., where there has been a nonprofit corporation, or industrial foundation, whose purpose was to raise money by public subscription or gifts, and the sale of debenture bonds. This activity goes back to as early as 1914. It is not something new at all. It has been extremely effective and has brought in since 1946 approximately 33 new industries. These industries have stayed in the community. This indicates to some degree the effectiveness of this type of device.

Now, there are various rehabilitation agencies that we may look at for a moment. These include Government agencies, local chambers of commerce, industrial foundations, industrial realtors, railroads, and utility companies.

I might point out in reference to Scranton that there have been over 3,400 people in the Scranton area that have made contributions or purchased bonds in the corporation, indicating a local interest. I think this is extremely important.

Approximately 8,000 people are employed in the plants which have been set up, and there is a potential of 18,000 employment at peak periods. These new jobs have added \$23 million in payrolls to the local economy. There have been other activities in the same area, such

as the Wilkes-Barre industrial fund, and the Pennsylvania Power & Light Co. with headquarters in Allentown.

In looking at all of these devices, and at all of the efforts that have been made by various agencies, it seems that there is a point at which these efforts come to a halt.

I have reference particularly to Scranton, Pa., where they have done an outstanding job, but where the return on the revolving funds is less than \$17,000 a year. This is not enough money to keep the ball rolling, so to speak, and to keep the rehabilitation efforts going at top-peak level. It seems to me, therefore, that some type of aid, either State or Federal, in terms of loans (not subsidies) may well be made available to those communities that have proved their effectiveness in dealing with their local problem.

It seems to me that without such proof of effectiveness of operation, it is very doubtful that Federal loans or any other aid would be wisely used.

Senator SPARKMAN. Thank you, Mr. Strong.

(The complete statement of Mr. Strong is as follows:)

REHABILITATION OF DEPRESSED INDUSTRIAL AREAS: ILLUSTRATIVE STATE AND LOCAL REHABILITATION EFFORTS

Dr. Earl P. Strong, director, bureau of business research, College of Business Administration, the Pennsylvania State University

The effective rehabilitation of a depressed industrial area must, of necessity, take into consideration the factors that brought about the need. Either the factors that were responsible for the plight must be removed or corrective measures taken to bring about improvement. It is possible that the same factors that are the ultimate cause of prosperity in a particular community or geographical area may well be the cause of the depressed state of the community or area. Any one of these factors, favorably disposed, may be responsible for the prosperity of a community or region. On the other hand, any one of them may be the precise factor that caused the depression of the area.

The problem of developing industrial capacity is one which inevitably confronts those communities whose economy has been based solely on one factor, such as natural resources or a single industry, or where there is a need for industrial expansion. The situation arises in any prospering community when the forces of reaction set in and dislocate its basic industrial economy, causing widespread distress and unemployment. Each case at once presents a challenge to the community and its civic leaders which they cannot long ignore. Civic pride and economic survival make it imperative, therefore, to institute a long-range program of industrial rehabilitation and development in order to counteract the economic crisis which develops in the affected community.

While there may be many factors that bring about the dislocation of an industrial economy, some prominent causes are: (1) The low quality, decrease, or depletion of natural resources; (2) an unfavorable location that separates the community from sources of raw materials, markets, and labor supply; (3) an unfavorable labor history or skills of the labor force that are not transferable; (4) technological advance that makes the industry unnecessary, and (5) the demise of the old and the development of new modes of transportation. Many situations and cases could be cited to highlight the above factors, but several of the more illustrative will be used here.

It is not the purpose here to discuss the causes of the areas being depressed, but rather the devices and agencies that have been effectively used in the rehabilitation of communities and areas that have been recognized as depressed.

In those communities where there is pronounced unemployment and industrial instability, the problem of alleviating the distress and the rehabilitation of the community is one that must be solved in the last analysis on a local or regional basis. There is no easy formula; there is no single pattern to follow. No two communities have exactly the same problems; no two communities are doing exactly the same things to correct their distress. One thing is certain—communities should realize that they must solve their own problems. It is not just enough

to go out and get new industry. The community must undertake an intensive and critical self-analysis, must know what it needs, and how to get it. Wherever this is done, community industrial-development programs can be a vital force in promoting both economic stability and a high standard of living.¹

Certainly, there is no magic formula for economic transformation for an overnight change to diversity rather than uniformity of industrial production and employment. Each community presents obstacles of its own which may cause one plan or another to be most effective in achieving the desired result. Circumstances alter cases, and it is the task of a local industrial-development organization to select the plan which best fits its needs. In any event, a proper climate should be prepared to impress all elements of the population of the necessity for immediate industrial rehabilitation and development. Where the need is very great, such as in an area experiencing mass unemployment, this may be apparent. In other cases, it may be necessary to educate and to arouse the inhabitants of the locality of the need for the program for development. An atmosphere of community enthusiasm must be built up and all elements of the population should be identified with the program. They must be convinced that there is something in it for them, and that their future will be brighter if the program succeeds.²

REHABILITATION DEVICES

A community interested in the problem of rehabilitation of its depressed industrial area must consider the device best suited to its particular problem if it is to solve the problem effectively. A variety of devices exist but it will be up to the agency assuming the task within a particular community to choose which device is to be used. Several of these devices are discussed below.

Survey of resources

Many communities do not know their local resources for industrial development or expansion. Usually the natural resources of an area are taken for granted and in some instances actually overlooked or underevaluated in terms of industrial progress. Noteworthy is the case of Peoria, Ill., where the local manufacturers' association had an analysis made of the water of the Illinois River to determine industrial uses as a basis for obtaining new industry for the area. It was found through the analysis that the water of the Illinois River at Peoria was exactly the correct temperature and contained the correct chemical composition for beer manufacturing. Armed with this information, a number of beer manufacturers were approached with the result that two manufacturers located plants there.

In contrast to this case, the town of Bellefonte, Pa., is actively engaged in attracting new industry to that community. Among their resources is a spring that is flowing 11½ million gallons of water daily, having a constant 45° temperature. While the town draws upon this flow for its local water supply, using 2½ million gallons, the bulk of it flows away and is one of the sources of Spring Creek that ultimately flows into the Susquehanna River.

It behooves each community, therefore, to know its resources and to learn how to exploit them to advantage. This is basic as a rehabilitation device.

Projections

Through analysis of natural resources, population changes, and planned development, a community can project into the future its economic potentials. For example, in 1953, the Weyerhaeuser Timber Co. engaged the Research Institute at Stanford University to study the forest products industries and project the probable demand for wood products through 1975. This study will be used as a framework for long-range planning on the part of this particular company.

Projections are useful as a device to assist communities to know more precisely how to plan their long-range industrial development and rehabilitation programs.

Research studies

Another device that can be effectively used is the full-scale economic survey of a region. In 1950, the Committee of New England was formed by the National Planning Association, a national, independent, nonprofit, economic research organization. The committee was made up of 95 leaders active in New England representing agriculture, business, manufacturing, and labor, as well as from

¹ Operation Boot Strap—A Second Look, the Business Review, Federal Reserve Bank of Philadelphia, December 1952.

² From an address made by Attorney Ernest D. Preate, Scranton, Pa., before the American Industrial Development Council, Mayflower Hotel, Washington, D. C., April 5, 1955.

educational and financial institutions, Government agencies, the press and radio. This committee became engaged in research for the area, resulting in a series of 20 topical reports of various panels. These pamphlets describe the economy of New England, natural resources of the area, the people of New England, financial resources, transportation, taxation, technical research in New England, etc.

The bureaus of business and economic research in a number of universities throughout the United States perform an outstanding service by studying local conditions in selected areas within their respective States. The bureau of business research, College of Business Administration, the Pennsylvania State University, for example, has conducted 42 such studies and has published the results in the form of abstracts and industrial survey reports. These have been done for local communities and in several instances for county groups. Such studies form the basis for the attraction of industries to those localities having such research data available. Also, they serve as a valuable aid to industries seeking to locate plants since prepared data on the local community and area are readily available in printed form.

Long-term credit

A device that is very necessary is the need for long-term credit. There is need for access to long-term credit on the part of either the industrial organization or the agency promoting the industrial development of a community. Loans made under such circumstances usually require maximum time limits. It is important to realize that when such loans are made, the community itself can make them attractive. The risks can be reduced sharply by a community that is wide awake, alert to industrial development or expansion, and that is willing to promote the community vigorously.

Plant leasing

One of the most effective devices that has been used up to the present time is the one characterized by the promoting agency in (1) acquiring the plant site, (2) erecting the building or buildings, and (3) leasing the building or buildings. This device is especially effective in attracting a completely new industry that is small and has limited resources. Established concerns are many times not interested in such a device although there has been a steady increase in the number of such concerns that have used the device rather than make large expenditures of funds which they find more usable in the further research and development of their product.

Under this plan, as developed in Scranton, Pa., the organization or promoting agency forms a nonprofit corporation or industrial foundation whose purposes are to raise money by public subscription or gifts or through the sale of debenture bonds. The money is used to acquire and develop industrial sites and erect buildings thereon for the operation of industrial and manufacturing establishments. Such a nonprofit corporation, with moneys raised through voluntary contributions from individuals, associations, business, and industry, is probably the most advantageous form of corporate enterprise for a development program. It creates a perpetual revolving fund of unobligated money to build plants. Unencumbered money provides capital which can be used over and over again. Also, it can be used without the difficult and restrictive conditions that surround money raised through bond issues.

Further, the fund is used to build and lease new plants which breathe new life and new payrolls into the community. Banks, insurance companies, and other lending institutions provide from 50 to 66% percent of the cost of construction through the medium of a first mortgage. The rents charged the tenant is usually sufficient to amortize, over the term of the lease, the mortgage and the corporation's investment in the building, including interest and operating expenses. The industry should be given an option to purchase the plant at any time, with rents paid to date applied against the purchase price. Such a program allows no gifts or subsidies to be made to industries from the fund. Money is constantly at work earning interest, which ultimately improves the financial position of the corporation.

INDUSTRIAL DEVELOPMENT AND REHABILITATION AGENCIES

Not only are the devices used in industrial development work of interest but the agencies by which and through which the devices operate on behalf of a community or area promoting industrial development are of importance. One of

the best reports that has been issued on this subject appeared in November of 1954.³

Experience indicates that perhaps the most effective industrial development and rehabilitation work that is being done is by private enterprises whose economic self-interest is directly served by it. Outstanding in this respect are the activities of the electric power companies, the railroads, industrial real-estate brokers, and managers of industrial districts.

Community organizations, including chambers of commerce, boards of trade, and industrial foundations, are generally less effective. In small distressed communities, such as some in New England and the South, the foundations serve a real purpose. Their value to a major industrial center, however, is limited.

State departments of commerce typically try to help through space advertising and by providing guidance for local efforts. In a few Southern States, of which Mississippi is the best example, government agencies have accomplished much.

Government agencies

Mississippi for many years has had a program known as BAWI, balance agriculture with industry. It originated during the depression years, was suspended for a few years and then revived in 1944. The method used is for local communities, under State supervision, to issue bonds, the proceeds of which are used as subsidies to locate new or expand existing industrial payrolls. New industries have been located and payrolls expanded. But communities have been burdened with bond issues, existing industries have been discriminated against in the competitive advantage the subsidies give new industries, and the long-range economic wisdom of plant locations compromised by the distorting influence of the subsidies.

Careful State supervision has minimized the abuses of the method in Mississippi, but at best public subsidies are only a means of counterbalancing natural disadvantages of a location, and probably are only temporarily effective. Nevertheless, variations of this method also are used in Tennessee, Louisiana, and some other Southern States.

A few States have been reasonably effective in promoting industrial development without resort to subsidies. The best probably are Missouri and Kentucky.

A Missouri State department encourages the formation of local industrial development corporations and provides them with advice and guidance. Some of the local corporations do and some do not subsidize.

In Kentucky, an agricultural and industrial development board has made surveys of natural resources and industrial potentialities of the State which have been of great help to other organizations trying to attract new industry. The Kentucky and Louisville Chambers of Commerce and the Louisville Industrial Foundation all use its material.

This approach probably is the best for Government agencies. It avoids the questionable practice of financial subsidies and tax concessions and it is much more effective than the space advertising technique of most States. Almost all States, as well as the United States Department of Commerce, and some of the Federal Reserve Boards, publish material to guide the conduct of community surveys and assist industrial promotion, but that is of little or no value unless translated into action by local agencies.

In brief, Government efforts in industrial development are of limited effectiveness and depend almost entirely on local initiative for concrete results.

Chambers of commerce

Community organizations can be divided into two groups: those, such as chambers of commerce, which carry on some form of industrial development as one of many activities; and the separately incorporated, but often chamber-of-commerce-sponsored, organizations devoted exclusively to industrial development.

Chambers of commerce nowhere appear to be effective when they try to carry on the industrial development program through their own organizations.

They often turn out handsome brochures and similar promotional material, but the value of that sort of effort is minimized by most experts in this field. Professional industrial developers believe publicity is the easy way to appear active, acknowledge its value when properly integrated into a broader program, but consider it almost useless alone. And it stands virtually alone as the industrial development activity of most chambers of commerce.

³ A More Effective Industrial Development Program for the Pittsburgh Region, Pennsylvania Economy League, Inc., Western Division, 1954.

Some chambers of commerce, in a limited way, list industrial sites and buildings, collect material for the information of industrial prospects, and even solicit such prospects by mail or visits. Their best efforts along this line, however, are less effective than the average electric power company's work. The listings usually are incomplete and out of date. The research data usually are sketchy and unreliable. And the solicitation is haphazard and subject to the fluctuating enthusiasm of a membership organization.

A few organizations, such as the Chicago Association of Commerce and Industry, have superior research facilities and hire knowledgeable staff members. The Chicago association maintains an elaborate looseleaf community data book and is prepared to dig up detailed information for prospects.

The Louisville Chamber of Commerce, working with the Kentucky Agricultural and Industrial Development Board, also turns out creditable reports for prospects and as its program develops may achieve real results. The Louisville Foundation, an old hand in this field, is encouraging the chamber's program while it confines itself more and more to strictly financial problems of industry.

The chamber of commerce of almost every city, large or small, professes great interest and activity in industrial development, but most of their claims appear greatly inflated. Professionals give them little credit for actually locating new industries. Generally their staffs and budgets are woefully inadequate.

The best results of chamber activity seem to come from separately incorporated organizations under chamber sponsorship.

The Birmingham Committee of 100, although not incorporated, was separately organized to bypass a moribund chamber effort. That strategy has been adopted here and there and sometimes, as in Birmingham, with good results. It is questionable, however, whether such a group has the staying power of an incorporated organization, and experts unanimously emphasize the need for long-range persistent effort in an industrial development program.

Industrial foundations

Most of the industrial development foundations or credit corporations, at least those outside New England, had their origins in chambers of commerce. The bulk of the foundations are found in small communities. Statistical or case history findings, therefore, are unreliable as applied to large industrial centers. Furthermore, there is strong indication that such successes as are reported for these foundations are dependent on the energetic effort of all segments of the community.

Many of the foundations, especially in New England, were organized originally to take over specific abandoned plants and to find new industrial occupants. Sometimes with and sometimes without direct or indirect subsidies, they have achieved that limited objective. Indeed, they have meant economic survival for many communities.

Some of these same foundations later have expanded their functions to include the assembling of industrial sites and the construction of general purpose industrial buildings. Most of them have been successful at this, too. But success of this sort usually is measured in relation to the economic distress of a community which has lost a major employer or whose major industry is declining sharply.

The Scranton area offers a good example. There a Scranton Industrial Development Co. was organized in 1914 to take over three plants. A Scranton Plan Corp. was organized in 1946 to take over the Murray Corp. war plant. A Scranton-Lackawanna Industrial Building Co. was set up later to finance renovation or construction of 11 plants. And recently a Lackawanna Industrial Fund Enterprise (LIFE) was established to carry on similar work through a revolving fund. The Scranton plan has received national recognition in many magazines, business, and financial journals. As the result of this program, Scranton was able to raise approximately \$3,500,000 through voluntary contributions and debenture bonds by community action and participation. Over 3,400 people in the area made contributions or purchased bonds. A total of 33 community-owned plants for many nationally known corporations, which now have an estimated value of \$15 million, are in the area. Approximately 8,000 people are employed in these plants with a potential of 18,000 at peak periods. These new jobs have added \$23 million in payrolls to the local economy.

That declining anthracite sector also has a Greater Wilkes-Barre Industrial Fund and a Wyoming Valley Industrial Fund. The Pennsylvania Power & Light Co., with headquarters in Allentown, has encouraged these and other groups, but always in particular communities or economically close-knit valley areas, never regionally nor in a district comparable in size to a multicounty region.

Practically every foundation with a record of any success is based on an individual community. That would include Youngstown, Ohio; Muskegon and Grand Rapids, Mich.; Oklahoma City and Tulsa, Okla.; St. Joseph, Mo.; Charleston, S. C.; Herron and Danville, Ill.; Stockton and Fresno, Calif.; LaCrosse, Wis.; and Hopkinsville, Ky.

Probably the reason is twofold: (1) capital funds for land and buildings are more readily subscribed in a cohesive community where a common economic problem is clearly recognized, and (2) an organization for a single community is not bothered by jealousy among communities as to where the funds will be applied. These considerations may dictate against the foundation idea for a large district or even a metropolitan area.

The nearest thing to a foundation serving a major metropolitan area is the Louisville Foundation. Its revolving fund is now about \$1 million and it has 26 loans outstanding, ranging from \$5,000 to its charter limit of \$100,000.

The six New England Statewide Development Credit Corps. resemble the Louisville Foundation in their financial functions and in provision of some management guidance.

All these credit corporations are tuned to the real need of their area. The community foundations take over abandoned plants or build new ones to bring in payroll. The larger ones supplement the regular banking system by making available credit for plant expansion, equipment purchases, or working capital instead of requiring resort to equity investors. A vigorous local banking system can largely offset the need for such organizations.

Thus, it is apparent that the best work by foundations is in meeting the pressing problems of small, distressed communities where the whole community is prepared to make sacrifices through hidden subsidies (below-cost sites and/or plants, unprofitable long-term leases, or noncompetitive low interest rates) in order to bolster a sagging local community. This suggests organizing foundations on an individual community or at most on a close-knit industrial valley basis, where economic distress is apparent.

Industrial realtors

Turning now to the private enterprises whose self-interest is served by industrial development, first of all are the industrial realtors.

The most impressive work by this group is being done by those who establish and manage industrial districts. The transfers of individual plants or plant sites from owner to purchaser, of course, is the bread-and-butter work of the industrial realtor. This, together with construction of general purpose plants for potential purchasers, serves the purpose of industrial development in a way. But the volume of such activity is determined by strictly business considerations and cannot be said to be guided or influenced by any public-interest factors. The establishment and management of planned industrial districts, however, is in a different category and constitutes the most impressive type of effort by industrial realtors.

The outstanding example is the Clearing Industrial District in Chicago, a vast undertaking. There are several other districts run by land developers in Chicago. Texas has several, including Trinity and Brook Hollow in Dallas and Highland in Houston. In the Greater New York area there are Roosevelt Field in Hempstead, Long Island; Bergen Terminal in Teterboro, Stuyvesant in Stuyvesant, and others in Cedar Grove, East Newark, and elsewhere in New Jersey. Oklahoma City and Tulsa have them, as do North Kansas City, Los Angeles, and San Francisco. Atlanta has several, including Peachtree and Ponce de Leon, and in New England the firm of Cabot, Cabot & Forbes operates some districts. These are all industrial districts run by realtors, as distinguished from those run by railroads or other interests.

The realtor-run industrial districts serve a public purpose in that they encourage the location of companies which might not come if they had to invest capital in brick and mortar or be involved in complex acquisition and construction dealings. In the managed districts they can conserve operating capital and that apparently is a major location consideration for many companies, including large ones establishing branch plants.

Two basic ingredients are necessary for successfully promoting a managed industrial district: (1) A large well-located site, and (2) considerable capital for proper early development and to underwrite a packaged program of engineering, construction, and leasing of buildings for prospective tenants.

Railroads

Almost all railroads promote industrial development to some extent. They have particular interests, however, which seriously limit their activity from the general public or community point of view. They are interested, and legitimately so, in (1) large tonnage producers, (2) sites along their system, and (3) it generally makes little difference where along the system a company locates, although in some cases midway cities suffer because a railroad likes to locate facilities at or near terminal points to insure its obtaining the long-haul traffic.

The most famous railroad industrial district is Central Manufacturing in Chicago. The Junction Railroad, a universal belt line owned by the stockyards, developed choice incity sites and provides the whole gamut of services. The Rock Island also has the Calumet and Pullman Districts in Chicago.

Railroads operate several industrial districts in Oklahoma City, Kansas City, Dallas, Houston, and Fort Worth. The Nickel Plate has developed the Solon District near Cleveland, the Southern Railway System has two in Atlanta, and the Baltimore & Ohio is active in the Marley Neck and Halethorpe Districts near Baltimore. Sidney, Nebr., Birmingham, Norfolk, Denver, Jefferson City and Independence, Mo., are among the other communities with railroad districts.

The railroads serve the community interest somewhat less than industrial realtors, because of their emphasis on tonnage and their broad involvement in many other communities. But they make up for that, perhaps, in greater industrial development promotion through publicity.

Electric utilities

The electric power companies, unlike the railroads, are strongly appreciative of the indirect as well as direct benefits they derive from industrial development. In fact, the domestic power market gains derived from payroll created by industrial development is a prime consideration with most electric utilities.

For that reason, perhaps, the industrial development programs of electric power companies more nearly coincide with the community interest than the programs of any other private enterprises. And they often are tremendously effective programs.

Commonwealth-Edison of Chicago probably has the biggest industrial promotion organization in the country—a full-time staff of 21 and a budget of about \$250,000 for its territorial information department. The Cleveland Electric Illuminating Co. has a staff of about 15 and a \$100,000 budget. Pennsylvania Power & Light, with headquarters in Allentown, has a 10-man staff.

Many electric utilities, even some of the bigger ones, have only 1, 2, or 3 men and the secretarial help in their industrial development departments, but in all cases that department has the part-time help of other company personnel in the field and usually a market research division at headquarters.

Even municipally owned systems, such as the Los Angeles Department of Water and Power, are active industrial development promoters. Some companies, like Alabama Power, stress agricultural development and some, like Pennsylvania Power & Light, combine resort (Poconos), agriculture (Lancaster), and industrial (Scranton) promotion, but virtually all put great emphasis on industry because of the secondary benefit to them of payroll in the form of domestic and commercial consumption.

Pennsylvania Power & Light probably has helped to organize as many community industrial development groups in its 10,000 square mile area as any company in the country. It even publishes booklets on community leadership, industrial district management, and vocational opportunities. In the anthracite sector of its territory it has pressing problems and its program, now a quarter of a century old, is considered a model by other "pros" in this work.

Cleveland Illuminating, however, for its less extensive service area along the lake in northeast Ohio, has the most sensational results to show for its efforts. The so-called chemical shore development around Ashtabula is its prize package. The greatest recent success has been in the automotive field, with numerous Ford installations in the Cleveland area.

CEI's fact-finding, site, and building registry, and service to industrial prospects is extensive, but appears somewhat less comprehensive than what Commonwealth-Edison in Chicago does along those lines.

Commonwealth's territorial information department (TID) has in its master conference room alone more data than almost any other industrial development agency has in its whole setup. Every industrial site and building in the company's 11,000 square mile northern Illinois territory is shown on a vast wall map with colored pins and other gimmicks, or on a set of swing page maps, or, for the least important areas, regular folding maps.

This TID setup is not the work of a day. Its manager has been at it for 30 years, refining his techniques, collecting his material, training his staff, establishing his sources of information and his connections throughout industry. The key to success, apparently, is the patient building of confidence among industrial real-estate brokers and other "pros," so that they will rush to register within 24 hours every transaction and every site or building as it comes on the market and every industrial prospect who shows a glimmer of interest.

Such an industrial development program is expensive, takes long to develop and must be liberally and steadily financed. Few nonprofit organizations could hope to approach anything like it. For that matter, electric utilities generally are so far ahead in this work that, wherever possible, the best bet for communities has been to build on it, to supplement it, and assist it in special ways.

SUMMARY

It is evident from all the facts that can be brought together in a report of this length that certain devices exist that can be used to help alleviate the distress in a community or area which has, no matter what the cause, found itself in a position of real need. Further, the agencies through which programs of rehabilitation and industrial development operate vary a great deal in their effectiveness, depending largely upon the local situation.

In standing off and looking at the problem broadly, perhaps the real limitation that is faced by the various agencies using a variety of devices in the several communities and areas requiring attention is that of financing. This is true even in those communities where excellent programs are presently in operation. Even though an effective program is in progress, a better one could be developed provided adequate additional financing was available. It seems possible, therefore, that Federal loans (not subsidies) may well be made available to those communities that have proved their effectiveness in dealing with local problems in industrial development and rehabilitation. Without such proof of effectiveness of operation, however, it is doubtful that Federal loans would be wisely used.

Senator SPARKMAN. Now Mr. Sufrin.

STATEMENT OF SIDNEY SUFRIN, PROFESSOR OF ECONOMICS, SYRACUSE UNIVERSITY

Mr. SUFRIN. Senator Sparkman, New York State as a whole is sharing in the national prosperity. Per capita income in the State, about \$2,200 in 1955, is among the highest in the United States. Employment is running about 6½ million, which is quite good. Registered unemployment is about 150,000, and we estimate that unregistered unemployment is approximately the same, which would give us in the neighborhood of 300,000 unemployed in the State. of which a great deal is short-term. However, some areas of distress do exist, but New York is singularly fortunate in that it has no areas of distress which are due to wasting of resources, largely because we are not essentially a mining community.

I would like to point out that the use of a single index such as employment to mark out areas of distress is not very meaningful. Job opening 20 or 30 miles away will tend to attract people. There may be a lack of jobs in an area, and so the people who live in that area find their jobs elsewhere.

This is not most desirable, because it puts a burden on people who have to travel great distances and puts a burden on the community where the people live because of the tax problem, which I will come to later.

In New York, I believe, the industrial centralization has been a cause of some loss in job opening, and in changing the pattern of job openings.

It should be pointed out that when you get industrial decentralization, the shifts of capital create job availabilities elsewhere, and there is no net loss. That is of small comfort to the person who finds their jobs moving out from under their noses.

I would like to point out that in my opinion it is easier to move capital than people. People tend to stay put, even though they are faced with unemployment at home, or ultimately find a job traveling some distance.

When you get an industry moving out of an area, negative multipliers are set in motion. Thus you have sort of compounding of the income and job loss. Also, I think, you get a negative accelerator; the firms which depended upon small changes, small increases in consumer or industrial demand find these demands no longer exist, and the firms often tend to collapse.

The question of what should be done about a distressed area is as difficult a social problem as any State or community can face.

The public works and public contracts are, in my opinion, transitional or short-run measures, and they have much to commend them as such, but they don't solve the problems of how do you keep an area going, how do you make it an economically reasonable, feasible operation?

The solution here in general terms implies the readjustment of the area, so that people and capital are better distributed—which is to say more profitably used. Usually I believe this means that some outside assistance must be given to the community so that it can become a desirable scene of investment and economic activity.

It should be remembered that the distress of a community does not mean that all the economic or business reasons for the community have ceased to be significant. It really means, I think, that some of the marginal industries, or marginal jobs (not marginal in the sense of less profitable, but marginal in the sense that they employed a small fraction of the people) have moved away, so that the area continues to have an economic reason for being. The problem is to make this reason for being operative attract new jobs, new capital to the area. In other words, when an area is distressed, it doesn't mean that all is lost, that there is nothing more to be done in that area. The loss of a small percentage of the jobs, say 8 percent unemployment or 10 percent unemployment, is very serious. Yet, you still have 92 percent of employment, or 90 percent of employment, and it means building up a relatively small number of jobs to put the community back on its feet. When a community becomes distressed and industry moves away, certain tax problems arise which are rather significant, because in order to hold industry, certain public services have to be supplied. Yet when an area loses its tax base, even though employment may be fairly high, because the people are working elsewhere, the community begins to cut back on its public services. This is not only bad for the people who live there, but it makes it an unattractive area for new firms to move in, so you have sort of a vicious circle, if you will.

Parenthetically I would like to comment here about the technique that some communities use of granting special tax remissions, or tax forgiveness. Such a program puts an added burden on the older firms of the area. Industrial communities simply have to supply services, schools, streets, lighting, and so forth. If all the costs are placed on

a few of the oldtimers, it is rough on them. Only a spurious kind of prosperity exists if new firms are granted tax forgiveness.

What can a State do about helping a distressed area? My comments are limited to the State of New York.

The New York State department of commerce in a sense acts as a broker who charges no fee to bring the buyer and the seller together. Instead of a buyer and seller here we have a potential new firm and a community.

New York is not the only State which is doing its best to attract new industry. Virtually every State in the Union I am sure is similarly engaged. In some cases, this sometimes reduces the competition of attracting industry to an almost cutthroat level. In some States, tax concessions are permitted. This is not so in the State of New York. It is my belief that when a firm is offered a tax concession or special tax bribe for moving into an area, the public services of the area must be paid by other taxpayers, and so unnecessary and unwarranted burdens are placed upon householders, other industrialists, and other economic groups for the benefit of the newcomer.

Communities which have succeeded in attracting firms by giving cut rates in taxes may get an increase in payrolls, but the community, as a going institution, has difficulty in providing schools, hospitals, parks, libraries, police protection, fire protection, and other facilities which a modern, dynamic community should provide for its citizens.

About 4 years ago the Department of Commerce questioned approximately 200 New York firms which were planning to leave, had left the communities in which they were located, or were experiencing economic difficulties. It appears that one of the most important factors causing a firm to consider moving is a shifting in the center of gravity of its markets, so that the firm no longer finds its industrial location advantageous. Taxes were also recorded as important. Incidentally, no firm that was examined admitted any managerial difficulties.

I may say, Mr. Senator, that we did a little investigation about the role of taxes in causing industrial emigration. My impression is that, on the whole, taxes are fairly neutral in the success or failure of a firm. I don't think that tax burden, State, local, or Federal, is of overwhelming importance.

The building up of distressed areas cannot be done by the State alone. Nature itself must have provided certain resources; the communities themselves must have a willingness and an aptitude for helping themselves; the industrial and economic situation and location must be meaningful to the new investor; and the new investor must be made aware of the resources which are available to permit him to operate profitably. The Federal Government has done very little in this area. Active participation by the Federal Government in the problem of alleviation of suffering in distressed areas has usually been a short-run palliative. A case can be made that the Federal Government has an obligation to assist its citizens and its communities to maintain a high standard of living and a high degree of assurance against future distress.

I would not venture to suggest, at this time, a Federal program or policy for alleviating the distress of certain areas.

I would suggest, however, that administrative wisdom should dictate that the Federal Government act with and through the State

governments in the solution of distressed area problems, lest the administrative burdens become so complex and the administrative lines so manifold that confusion and chaos result.

The use of the State's administrative machinery would tend, it seems to me, to simplify and maintain order in the relations between the communities and the Federal Government. Furthermore, State legislation probably will be necessary in certain instances, if the United States Government undertakes any program for assisting distressed areas.

Many programs for an approach to industrial development are in the air. Four ideas among others which would seem to warrant further investigation are: First, a program for industrial slum clearance—Mr. Batt mentioned, I think, the telling effect that firms move often where there is a plant available to them and a plant of a modern type. I think you will find, sir, that in many instances, old plants occupy very good sites, so you have in effect industrial slums in the United States which waste excellent locations.

I think some program of industrial slum clearance to make use of good locations by better plants, more modern plants, would do much to alleviate distress in distressed areas.

Second, I think that assistance in programs for community self-analysis would be helpful, the inventory of resources of a community. Third, I think programs of labor training and retraining would be valuable. Fourth, I think the Federal Government might properly look into the State tax remission and forgiveness problem.

The resources of many if not most of the distressed areas are useful and usable with a little refurbishing. However, no program of State or Federal help will solve the problem of distressed areas unless and until the local areas themselves show the willingness and a capacity to bear most of the burdens of developmental and promotional activity.

Senator SPARKMAN. Thank you.

(The complete statement of Mr. Sufrin is as follows:)

A NOTE ON DISTRESSED AREAS

Sidney C. Sufrin,¹ professor of economics, director of the Maxwell Research Center, Syracuse University

PART I

New York State shares in the national prosperity. Per capita income of the State is running around \$2,200 in 1955, among the highest in the United States. Employment is high for the State as a whole, running in the neighborhood of 6.5 million, with registered unemployment possibly 150,000 and unregistered another 150,000 persons.

As one would expect in a dynamic society, there is some industrial movement into and out of the State. Some firms are moving their factories and offices from one part of the State to another. This, too, is to be expected in a living, vital society. The general economic picture is good.

Details of this generally prosperous picture, however, are not universally satisfactory, from the point of view of income and unemployment. We have in the State of New York, as in most other States, some few areas of economic distress—pockets of unemployment and economic dislocation—some of which are chronic.

The use of a single index, such as employment, to mark out the areas of distress is not the most meaningful, because in a State like New York which has a good road and transportation system, and where so many workers' families own

¹The author wishes to express his appreciation to Edward T. Dickinson, commissioner of commerce of New York State, William Zimmerman of the New York Department of Commerce, and Dr. Donald Davenport of Syracuse University for their stimulating comments and conversation. The author alone is responsible for the point of view expressed.

automobiles, job openings 20 or 30 miles away will tend to attract labor from a distressed area. So a particular community which may have lost local employment opportunities may not show the outward manifestations of economic distress if employment is expanding within commuting distances of its population.

Data of the Department of Labor indicate that some few residents of Oswego travel as many as 40 to 50 miles in 1 direction, which means a round trip of 80 to 100 miles to and from their jobs. Fifteen or 20 miles between job and home is, however, not an unusual distance. This is not a normal nor even desirable situation, but it is a situation which, if it becomes common in a community, tends to destroy the validity of simple employment measures of economic well-being. Production indexes or other indexes based upon local economic activity are difficult to come by in any organized, complete sense. Familiarity with given sections of the State, however, indicates that there are possibly 6 or 7 areas in which the local industry is not adequately supporting the local labor force, because of shutdowns, capital migration from the area, loss of markets, and other economic and business phenomena.

A surprisingly large amount of the economic distress is due to industrial change. Communities in New York State, as in New England, have been affected by the shifting of the textile industry to the South. The shift has probably largely been accomplished. The shifting pattern of agriculture has led to the migration of certain agricultural implement plants. The process of industrial decentralization of very large operations has led to both the diminution of job openings and a changing pattern of job openings, and to shifts in capital and job availabilities elsewhere, in or out of the State. Parenthetically, capital is easier to move than people.

Not only is there a negative multiplier set in motion, when for one reason or another industry in a given area reduces employment, but, in a sense, a negative accelerator is also set in motion, since the former local suppliers of the plant which is moving away find their markets limited, and sometimes reduced to zero. Where a community has a broad industrial base, due to industrial diversity, the chances of it being dependent upon one particular type of industry are less than where the industrial base of the industry is narrow. I say the chances are less; I do not say that chance is nonexistent. For if a community has many industries but all are suppliers to the same industry, or all of them tend to fluctuate similarly in the business cycle, obviously mere industrial diversity does not add any industrial stability. The communities in New York State which have shown signs of economic distress are not necessarily communities which depend upon a single industry, but sometimes tend to be communities which are the location for several industries, all of which are undergoing either a secular decline or show a marked synchronization in cyclical fluctuations.

The question of what should be done for distressed areas is as difficult as any social problem which a State or community must face. In a society dedicated to a high degree of private enterprise and with freedom for a person to enter and leave markets, and/or invest or not invest, the role of the State, of necessity, is limited. To attempt to support an urban economy by public works and public contracts might be very unsound, if the public works are being spent in an area which has ceased to grow, or if the public contracts are being performed at a cost higher than is justified in terms of competition. As transitional or short-run consideration, or to allay an acute situation, the strategic placement of Government contracts has much to commend it.

The solution of an area in economic distress is to assist it to readjust itself so that the resources in terms of people and capital are better distributed, i. e., more profitably used. This usually means some assistance to a community's becoming a more desirable scene of investment and economic activity. Readjustments are often fraught with difficulty because people cling to their established homes and ways of life.

The distress of a community does not mean that all the economic or business reasons for the community have ceased to be significant; it means merely that some marginal ones have ceased to be significant, so that the community limps along with a lower standard of living than is justified in a progressive world. As time goes on, communities which are distressed find that they do not hold the younger, more aggressive, educated, or intelligent people; and so the community becomes more and more a home for the aged, moving along at a slow, deliberate, unexciting pace. This is not an ideal many of us would consider worth while. The political or social issue involved, when one considers the role of the Government, is to what degree and of what sort should Government aid be. The liberal view is to support the ideal of economic progress, but to

argue that some of its personal costs might properly be spread among the society at large, which is the beneficiary of the progress. The conservative view, too, is to hail progress, but to argue that its costs be borne by the people adversely affected. The realistic matter-of-fact approach, in my opinion, tends toward the liberal view.

To make a community more inviting and interesting to industry, i. e., to support progress, does not necessarily mean that a specific type of industry, which in the past found it worthwhile to be in the community, must continue to stay there. Nor does it necessarily mean that a type of industry which in the past has found it worthwhile to be in the community should be invited to such a community. In other words, as markets, sources of raw materials, power, national income, and techniques of production change, one might expect changes in the geographical location of specific kinds of industrial activity.

In many distressed areas where industry has moved away or has reduced its rate of output, labor has solved its problem by moving to jobs elsewhere. This increase in labor mobility is surely a mark of many up-State New York communities. Fulton's large-scale industry, for example, recruits somewhere in the neighborhood of half its work force from Oswego and Oswego County, while Oswego goes scarcely 10 miles outside its confines for labor. Syracuse draws on people in a 25- or 30-mile radius for its labor. Auburn relies on its own inhabitants.

The problems of tax base for communities which supply labor to more active areas, of course, are very serious since most modern communities depend on industrial activity to provide an appreciable share of the taxes to run the community. Hand in hand with the loss of tax revenues, of course, is the gross impairment in public services which modern cities are expected to provide. Health, safety, fire protection, recreational facilities, etc., cannot be maintained at high levels if the income of a community falls below par. The lack of appropriate community services in itself provides an obstacle to the attraction of new industry and to the retention of the more able, alert, intelligent, active persons of the community. An outmigration of people and capital occurs and no immigration of new capital or new people occurs if the community is distressed and unable to maintain satisfactory services for its citizens or its industries. Furthermore, business shows an understandable reluctance to move to a distressed, gloomy, down-in-the-heel community. Success begets success, while distress gives birth to ever more distress.

PART II

The question naturally arises as to what is the role of the State administration of New York with respect to distressed areas. By the statute setting it up, the department of commerce of the State of New York has as its duty to assist in the industrial development of the various communities of the State. Since ours is a free economy, the department of commerce of the State of New York cannot oblige any firm to move to a given location, or to produce any given quantity of goods, or to maintain any given level of employment. At best, the State can assist local communities, businessmen, chambers of commerce, manufacturers' associations, or other organized community groups to make the given community a desirable place for a firm to move to or to remain in, or to assist a firm from outside the State to choose an area which is conducive to the success of the firm.

Thus the New York State Department of Commerce, in a sense, acts as a broker who charges no fee to bring buyer and seller together. Instead of buyer and seller we have the potential new firm and the community.

The mechanics of the State department of commerce to accomplish this function are interesting. There are five representatives of the department who call upon industrialists all over the eastern and central parts of the United States to inform them of the resources of the State of New York and of particular areas in the State of New York. Within the State there are 15 representatives whose function it is to assist industrial and community groups in matters of industrial development and location. And in Albany there is a staff of 215 people, including about 40 technicians—economists, statisticians, geographers, community planning experts, engineers, geologists, etc.

For our purposes there are four major segments of the Albany staff. (1) There is the economic research division which compiles statistics and economic data, analyzes them, and makes industrial studies for the use of various State departments as well as for the use of industry and communities, and for publication. In a sense, these are the research people. Much of the research work of this group feeds into another group which is concerned with the facts of industrial

location. (2) The second group is the industrial promotion division. The field representatives outside the State are responsible to this industrial location division. Its function is to keep records of site locations, plant locations, resources (including community resources), to bring communities and business firms together, to educate communities in ways of analyzing their own resources, and presenting their information to potential new firms—in brief, to act as the sales-planning group for the department of commerce. (3) Another division of the department is concerned with community planning and zoning. The department of commerce and the administration in Albany believe that the best results are obtained when a community plans for its own development in an organized and orderly way. Zoning is an important tool for directing development along previously planned lines. By zoning we include not only zoning to assure that residential areas are protected against encroachment of industrial areas, but also zoning to assure that industrial areas are so well laid out and planned that they do not become an industrial slum after a few short years. The zoning and planning group meet with local county and municipal officials to discuss zoning problems and help educate the local and county people in the art and techniques of zoning and planning. (4) The last group for our purposes is the advertising division. Its function is to publicize the resources of the State, and, in general, to present the factual findings and analyses of industrial potentials and industrial resources in an attractive form to industry and to communities. Under the administration of Governor Harriman and Commissioner Dickinson there has grown up a strong cooperation between public utilities and the State, since public utilities benefit, too, by industrial development.

New York is not the only State which is doing its best to attract new industry. Virtually every State in the Union is similarly engaged. This sometimes reduces the competition in attracting industry to an almost cutthroat level. In some States tax benefits and concessions are permitted. This is not so in the State of New York. Nor does this indicate any particular weakness in New York's program, but, on the contrary, a strength in the program. It is my belief that when a firm is offered a tax concession or any other special tax bribe for moving into an area, the public services of the area must be paid for by the other taxpayers; and so unnecessary and unwarranted burdens are placed upon householders, other industrialists, and other economic groups for the benefit of the newcomer. Such communities often do not provide the social amenities which modern society demands. Communities which have succeeded in attracting firms by giving them cut rates in taxes may get an increase in payrolls, but the community, as a going institution, has difficulty in providing the schools, hospitals, parks, libraries, police protection, fire protection, and other facilities which a modern, dynamic community should provide for its citizens. I firmly believe that the technique of tax concession or tax forgiveness is both shortsighted and most unfair to other elements of the community, and other sections of the Nation.

The statistics indicate that in the State of New York there has been a net increase of 36,000 firms, 315,000 jobs, and \$6½ billion of payroll in the last 7 years. Undoubtedly one factor, among others, in accounting for this growth has been the operation of the department of commerce. The United States, as a whole, has been prosperous, and has undergone an expansion of population, which in itself would account for some expansion in New York jobs and payrolls.

Operationally, if one were to trace, in a small number of cases, the importance of the State's activity, one could discover whether or not the expenditure of the State was justified. In a sense, this has been done, since in many instances the officials of the department of commerce have followed through the location of a new plant within the boundaries of New York State from the birth of the idea in someone's mind to the final completion of the plant. The evidence shows that the attraction of new industry is a complex in which many factors are present. A firm must have the idea to move; an area of the State must have some attractive resource or location; the attitudes of the potential mover and leading citizens of the area being considered must be congenial and interactive; someone must bring them together; etc. etc.

In truth, many different groups and people actively participate in most industrial movements. In the opinion of many businessmen and community leaders, the department of commerce plays an important role in alerting industries and communities to the mutual advantages which may accrue if a plant locates in a community. Furthermore, community groups such as chambers of commerce

and manufacturers associations have come to depend upon the department of commerce, and to ask for the assistance of the department in preparing such things as inventories of resources and brochures to advertise the advantages of doing business in a community. As one would expect, every group and every individual who in any phase has participated in attracting a firm to a given location feels proud of his job, and tends in his own mind and in his own conversation often to build up the role he played in the attraction of industry to the State or to his own community. This is all to the good, because while too many cooks will spoil the broth, many cooks are needed to prepare a great feast.

The present administration in Albany is stressing what Commissioner Dickinson calls the rifle-shot approach. That is the resources of specific troublesome areas are being analyzed and special attempts are being made to solve these special cases. Furthermore, the State is enlisting the assistance of business leaders on a large scale and in continuous fashion. Governor Harriman has set up an advisory council of 25 business leaders from 25 to 30 industries to advise him on business and development matters. Academic institutions too have been invited to cooperate with the State department of commerce in assisting areas toward better development. The results are encouraging.

Industry is attracted to one area instead of another because of a multitude of factors, and because many different individuals and institutions present viewpoints, arguments, and factual data which are cataloged, evaluated, and analyzed by the businessman, and finally result in his moving to one place instead of another. Basically the choice of a location by an industry depends upon the rational evaluation of considerations which are relevant to the firm, such as transportation, nearness to raw materials, availability of markets, etc. However, when several areas provide approximately the same advantages, or advantages of the same relative value to the firm, then the additional attractiveness of one community over another, or the additional information provided about one community as compared to another, may be the marginal element which causes the firm to choose one place instead of another.

Old established firms sometimes find that the economic bases for their location have undergone great changes due to shifts of market, changes in labor supply, transportation changes, technical changes, etc. Not the least of these changes is related to the plant structure itself.

Many firms find that the costs of doing business are high as compared with their competitors' costs because buildings in which they are located are outmoded, inefficient, and not conducive to modern, operational techniques. When such a firm finds it necessary to rebuild, it then makes a complete evaluation of where the ideal site location for the building should be. During the time the building has grown older, the world too has changed; such firms often find that a new building implies a new location. This is not universally true, but it is frequently true. A corollary of this is that many firms which desire to move to an area do not want to build, but rather want to rent or buy an existing structure. Since many of the vacant factories are old, their value in attracting new, expanding business is not very great. Such old buildings often attract marginal businesses which supply jobs, but at comparatively low wages.

About 4 years ago the Department of Commerce questioned approximately 200 New York firms which were planning to leave or had left the communities in which they were located, or were experiencing economic difficulties. The results of these questionnaires were tabulated, and it appears that one of the most important factors causing a firm to consider moving is a shifting in the center of gravity of its markets so that the firm no longer finds its industrial location advantageous. Other factors were disputes with trade unions and the high level of taxes. In no instance did a firm indicate that its own poor management or its own internal problems was at the seat of its troubles.

The labor problems of the firms seemed often to be related to other economic difficulties of the firms. The tax problem broke down into blaming the State franchise tax or blaming certain legislated costs as those imposed by workman's compensation laws of the State of New York. An analysis which has been made concerning the role of the franchise tax in causing firms to leave the State of New York indicates that the franchise tax probably is fairly neutral. The importance of the franchise tax to other costs and to receipts indicates no pattern for either expanding firms or declining firms in the State of New York. There is strong reason to believe that there has been an overemphasis of the role of the franchise tax, which in the State of New York is roughly comparable to a corporate income tax, in causing firms to leave the State. Comparisons with similar taxes in other States indicate New York industry is, on the whole, treated no worse or no better than similar industries in other States. With respect to

workman's compensation the analytical results are equally neutral. It should be pointed out, however, that in 1955 the rates charged to employers for workman's compensation insurance were reduced by 10 percent.

The point of this phase of discussion is that the role of taxes, at least for New York, has probably been exaggerated as a factor in industrial migration. Any community or State which hopes to maintain large-scale industry, or varied industry, must provide services, both to industry and the population at large. These services cost money, and this money must be raised through taxes. It is true that if a community offers very little in the way of services, its costs of operation may be lower, but then the standard of living in that area is lower, and ultimately as the area develops, and as the population becomes stabilized and enjoys a relatively high standard of living based upon industrial wages, the services demanded of the community will rise, and with such rise will come increases in tax rates.

PART III

The building up of distressed areas cannot be done by the State alone. Nature itself must have provided certain resources; the communities themselves must have a willingness and an aptitude for helping themselves; the industrial and economic situation and location must be meaningful to the new investor; and the new investor must be made aware of the resources which are available to permit him to operate profitably. The Federal Government has done very little in this area. The complex contracting powers of the United States have obviously assisted certain areas to develop and maintain a level of employment and income. Active participation by the Federal Government in the problem of alleviation of suffering in distressed areas has usually been a short-run palliative. A case can be made that the Federal Government has an obligation to assist its citizens and its communities to maintain a high standard of living and a high degree of assurance against future distress.

I would not venture to suggest at this time a program or policy for the United States Government in the realm of alleviating the distress of certain areas.

I would suggest, however, that administrative wisdom should dictate that the Federal Government act with and through the State governments in the solution of distressed area problems, lest the administrative burden become so complex and the administrative lines so manifold that confusion and chaos result. The use of the State's administrative machinery would tend, it seems to me, to simplify and maintain order in the relations between communities and the Federal Government. Furthermore, State legislation probably will be necessary in certain instances, if the United States Government undertakes any program for assisting distressed areas. Much will be gained if the State administration is made aware of the requirements of legislation early in the game. Furthermore, the technical capacity of the experts in State government is often most useful in assisting local communities solve their problems.

Many programs for and approaches to industrial development are in the air. Three ideas among others which would seem to warrant further investigation are (1) a program for industrial slum clearance, and (2) a program for community (self) analysis, and (3) a program for labor training and retraining. The resources of many, if not most, distressed areas are useful and usable with a little refurbishing. However, no program of State or Federal help will solve the problem of distressed areas unless and until the local areas themselves show the willingness and a capacity to bear most of the burdens of developmental and promotional activity.

Senator SPARKMAN. Now, Mr. Roterus, if you will sum up.

STATEMENT OF VICTOR ROTERUS, CHIEF, AREA DEVELOPMENT DIVISION, BUSINESS AND DEFENSE SERVICES ADMINISTRATION, DEPARTMENT OF COMMERCE

Mr. ROTERUS. Mr. Chairman, last January in a statement before the Joint Committee on the Economic Report, I discussed the program we had in our office in the Department of Commerce, the program that at that time we were developing to assist areas and communities faced by long-term unemployment problems. In view of the fact that I made that statement then, today I would like by the use of several

case examples to indicate a pattern of cooperation which we have developed whereby Federal, State, and local groups can work together on the problem of getting the economies of these local areas back in step with the growing national economy.

I would like to enlarge on two examples. One is in a small-town rural type of area, and the other is in a rather sophisticated industrial center.

The first example is in eastern Oklahoma. A cooperative survey there is an example of how our office works with State and local groups in bringing available Federal assistance to bear on the problems of these local surplus labor areas.

Eastern Oklahoma had been affected by the drought and also by a decline in coal-mine activity.

Community and county groups in this area appealed to their national congressional representatives to help in the solution of their problem. The two Congressmen from the area visited with our Under Secretary, who directed the Office of Area Development to make a survey and to assist in whatever way it could.

The following actions took place:

First, the Office of Area Development arranged with the Oklahoma Planning and Resources Board, the State agency, to share leadership responsibility for the survey and made suggestions as to other State and Federal agencies which should have representatives on the survey team.

The Oklahoma Planning and Resources Board, in cooperation with local leaders, made arrangements for meetings in the area, including details of transportation, etc., and invited the concerned State and Federal agencies to participate.

Thirdly, prior to the local meetings, representative of our office and the representatives of the Oklahoma Planning and Resources Board met with the members of the survey team and worked out a pattern for the conduct of the meetings.

The meetings were held in several communities in eastern Oklahoma, and the problems of the area were discussed.

Following the meetings, a representative of the Office of Area Development again met with members of the survey team and presented a report outline which covered agency assignments for the preparation of specific sections, and responsibility for the report coordination and publication was lodged with the State agency, the Oklahoma Planning and Resources Board.

This agency, with consultation from our office, prepared the final coordinated report.

In this way, responsibility for leadership and followthrough was fixed locally, and the technical and program resources of the Federal Government were coordinated with State and local resources in an effective and orderly way.

A constructive program emerged, and the Office was able to withdraw its limited personnel, and they are limited, to give attention to the other problems of the area.

Since then, the director of the Oklahoma Department of Commerce and Industry has reported some of the concrete results from the recommendations made in the report and from the meetings held locally.

I will summarize these very briefly. One, several million dollars in road contracts were let many months in advance of planned sched-

ules. Two, at least six firms are now reviewing the area as possible types for new manufacturing installations. Three, as a result of the recommendation pertaining to water supplies, the citizens in the eastern portions of the State are coordinating their efforts to develop many large water reservoirs in northeastern and southeastern Oklahoma.

I am reading, by the way, from a letter of the director of the Oklahoma Planning and Resources Board.

Fourth, at least six communities in the eastern section of the State have asked this department, meaning the State agency, to assist in formation of industrial formation programs. The service is now being performed and other communities are asking for the service.

Finally, with respect to recreation potentials of eastern Oklahoma, several cities have launched advertising programs and are developing accommodations to serve the tourist trade.

Now, I have a second example illustrating this pattern of cooperation, which I think is a contribution.

The other panelists have remarked on the need for developing new industries or bringing in branch plant expansions to these areas, which is very, very necessary.

The solution, however, to replacing a wornout economic base in these local areas of unemployment does not rest entirely in establishing new industries, or branch plants. In certain areas, much can be done in expanding existing local industries through opening up new markets, introducing new products, or improving old products by new processing methods or new designs.

A Michigan group concerned with its areas of substantial labor surplus, Detroit at that time was one of them, sought suggestions on their objective of stabilizing, as well as expanding, local economies through diversification.

Out of the initial conference with these people emerged the idea of an exhibit of new processes and products. Since the Federal Government spends several billions annually on research mostly related to defense requirements, such an exhibit provided an opportunity not only to let businessmen generally in on the results of this research, but also provided a medium for the Department of Defense to broaden its mobilization base to encourage civilian production capacity and know-how with respect to certain noncritical materials, new processes, and new items that they had developed in this research.

Following our conference, the various units in the Department of Commerce worked again with the State agency, Michigan Department of Economic Development. Michigan leaders, State, local, municipal, private, labor organization leaders, formed a nonprofit corporation to undertake the detailed planning of the exhibit and to encourage manufacturers from the region to participate.

Funds were raised locally by voluntary contribution from businessmen, labor organizations, and private individuals. Over 5,000 people, representing 1,258 firms, located in 158 Michigan communities, viewed the exhibit. Representatives from 18 other States and 4 foreign countries also were surprisingly present.

A number of months after the exhibit, personal interviews were conducted with 269 businessmen who attended the show. The purpose of this was to see whether the show was merely something to look at or really had some concrete results because we were faced with the

problem of selling the Defense Department on staging the show in other regions, and they bore most of the governmental expense.

Of these 269 businessmen who attended the show, 61, or over 20 percent, indicated that they had already adopted a product or process which they had examined at the exhibit or had definite plans for doing so. Because of this very gratifying result, plans are being made to extend this exhibit to other regions under a similar cooperative pattern.

In conclusion, I should mention also that the Department has recognized that certain research very often must be completed before needed changes in local economies can take place.

I will briefly illustrate some of the types of research which we are conducting. Much has been said here about the planned industrial park, and we felt in our experience that that was a very much needed tool in these communities. Accordingly we came out with this publication, *Organized Industrial Districts*, which now is a bible in that field. I can say so because I did not write it.

Other types of research we have conducted are in recognition of the fact that each community is distinct. It has special resources, special attractions, and special problems. In connection with getting the expansions of new industries, one of the problems of these communities is that they dissipate their efforts in going across the board. In other words, they solicit many industries who would not be interested in location in that particular area. We think that the Federal Establishment can help through research in helping them to localize their efforts on industries which they have a chance of attracting, and an example of this is a publication dealing with location factors in one of the very rapidly growing industries, the petrochemical industry.

By the way, that publication indicates that there are excellent opportunities for that industry, which should grow from 300 to 500 percent over the next 20 years, in the Ohio Valley—including the surplus labor areas in southeastern Ohio, West Virginia, southern Illinois, southern Indiana.

We have several other things along that line which are designed to help the State groups and the local groups in their efforts to help themselves.

Thank you.

Senator SPARKMAN. Thank you, Mr. Roterus.

Mr. ROTERUS. I might add, by the way, that I think the panel has been very excellent, from our experience in this field. The points raised here, the solutions underscored, reflect very well our contacts in different parts of the country, and I think that the members of the panel have made a most useful contribution to this whole problem.

(Mr. Roterus' prepared statement follows:)

STATEMENT OF VICTOR ROTERUS, DIRECTOR, OFFICE OF AREA DEVELOPMENT, BUSINESS AND DEFENSE SERVICES ADMINISTRATION, UNITED STATES DEPARTMENT OF COMMERCE, RE REHABILITATION OF DEPRESSED INDUSTRIAL AREAS: ILLUSTRATIVE REHABILITATION EFFORTS

Last January, in a statement before the Joint Committee on the Economic Report, I discussed in some detail the content of the program that the Office of Area Development in the Department of Commerce was developing to assist communities faced by long-term unemployment problems.

Today, I should like, by the use of several case examples, to indicate a pattern of cooperation which has been developed whereby Federal, State, and local groups can work together on the problem of getting the economies of these local areas

of labor surplus back in step with a growing national economy. This pattern fixes the initiative and major responsibilities for leadership at the State and local levels but enlists the information, technical skills, and programs of the Federal Government to assist the States and local areas to help themselves.

Eastern Oklahoma example: Mobilizing Federal and State assistance

A recent survey in eastern Oklahoma is an example of how the Office of Area Development works with State and local groups in bringing available Federal assistance to bear on their surplus labor problems. Eastern Oklahoma has been affected both by drought and by the inactivity of its coal mines. Community and county groups in this area appealed to their congressional representatives to help in the solution of their problem. The two Congressmen from this area then met with the Under Secretary of Commerce who directed the Office of Area Development to make a survey and assist in whatever way it could. The following actions took place:

1. The Office of Area Development arranged with the Oklahoma Planning and Resources Board to share leadership responsibility for the survey and made suggestions as to other State and Federal agencies which should have representatives on the survey team.

2. The Oklahoma Planning and Resources Board in cooperation with local leaders made arrangements for meetings in the area, and invited the concerned State and Federal agencies to participate.

3. Prior to the local meetings, representatives of the Office of Area Development and the Oklahoma Planning and Resources Board met with the members of the survey team and worked out a pattern for conduct of the meetings. A get-together immediately following the meetings was suggested in order to draw up a followthrough report of recommended actions.

4. Following the meetings, a representative of the Office of Area Development again met with members of the survey team and presented a report outline which covered:

- (a) Explanation of survey.
- (b) Economic conditions and causes.
- (c) State and Federal agency programs helpful to the area.
- (d) Actions suggested by local people and recommendations concerning these actions.

On adoption of the report outline by the survey team, agency assignments for the preparation of specific sections were made, and responsibility for report coordination and publication was lodged with the Oklahoma Planning and Resources Board.

5. All agencies submitted their sections to the Oklahoma Planning and Resources Board, which agency, with consultation from the Office of Area Development, prepared the final coordinated report.

6. In this way, responsibility for leadership and followthrough was fixed locally, the technical and program resources of the Federal Government were coordinated with State and local resources in an effective and orderly way, a constructive program emerged, and the Office of Area Development was able to withdraw its limited personnel and time to give attention to problems of other areas.

Since then, the director of the Oklahoma Department of Commerce and Industry has reported some of the concrete results from recommendations made in the report, entitled "Drought Relief and Area Development Recommendations":

"1. Several million dollars in road contracts were let many months in advance of planned schedules in order that immediate employment could be provided in the area.

"2. At least six firms are now reviewing Muskogee and Pittsburg Counties which were declared class-IV labor-surplus areas, as possible sites for new manufacturing installations. The total investments in these new plants would exceed \$100 million.

"3. As a result of the recommendations pertaining to water supplies, the citizens in the eastern portions of the State are coordinating their efforts to develop many large water reservoirs in northeastern and southeastern Oklahoma. The report has helped in this phase of development because it summarized the status of all the projects under consideration by the United States Army engineers as well as the Bureau of Reclamation.

"4. At least six communities in the eastern section of the State have asked this department to assist in the formation of industrial-development programs. This service is now being performed. Other communities have asked for this same service and we will get to them just as soon as we can * * *.

"5. Far greater consideration is being given to the recreation potentials of eastern Oklahoma. Several cities have launched advertising programs and are developing accommodations to serve the tourist trade."¹

Detroit example: Diversifying existing industry

The solution to replacing a wornout economic base in these local areas of unemployment does not rest entirely in establishing new industries or branch plants. Much can be done in expanding existing local industry through opening up new markets, introducing new products, or improving old products by new processing methods or design.

A Michigan group concerned with its areas of substantial labor surplus—Detroit at that time was one of them—sought suggestions on their objective of stabilizing, as well as expanding, local economies through diversification. Out of the initial conference emerged the idea of a regional exhibit of new products and processes with Federal, State, and local governments, and private industry and labor unions cooperating. Since the Federal Government spends several billions annually on research—mostly related to defense requirements—such an exhibit provided an opportunity not only to let businessmen generally in on the results of this research, but also provided a medium for the Department of Defense to broaden the mobilization base, to encourage civilian-production capacity and know-how with respect to newly developed, noncritical materials, new processes, and new items having defense significance in time of mobilization.

Following our pattern of cooperation, the various units in the Department of Commerce worked with the Michigan Department of Economic Development. Michigan leaders formed a nonprofit corporation to undertake the detailed planning of the exhibit and encourage manufacturers from the region to participate. Funds were raised legally by voluntary contribution from business and labor organizations and private individuals.

Over 5,000 people, representing 1,258 firms located in 158 Michigan communities, viewed the exhibit. Representatives from 18 other States and 4 foreign countries also were present. On exhibit were some 25 displays of federally developed new products or processes and some 70 displays by private exhibitors.

A number of months after the exhibit personal interviews were conducted with 269 businessmen who attended the show. Of these, 61 (over 20 percent) indicated that they had already adopted a product or process which they had examined at the exhibit, or had definite plans for doing so.

Because of this gratifying result, plans are being made to extend the exhibit to other regions under a similar cooperative pattern.

The Department has recognized that certain research very often must be completed before needed changes in local economies can take place. Technical studies with reference to the locational requirements of growth industries are an example, and the problem is to assist the areas of unemployment in their efforts to share in the industrial expansions which are taking place throughout the Nation. A recent study of the Office, Location Factors in the Petrochemical Industry (exhibit B), is a case in point. This study, on which the cooperation pattern was broadened to bring in the technical talents of the Massachusetts Institute of Technology, estimates that requirements for a number of petrochemicals will increase from 300 to 500 percent over the next 20 years, and that the Ohio Valley—including the surplus labor areas of West Virginia, southeast Ohio, southern Indiana, and southern Illinois—has very real advantages as a location for this growth industry. Both the industry and these areas can use this report in future industrial-development efforts.

In conclusion, it should be pointed out that the program of the Office of Area Development was recommended for expansion both by the Economic Report of the President (January 1955) and the unanimous Report of the Joint Committee on the Economic Report on the January 1955 Economic Report of the President (March 1955). The Department of Commerce made an appropriations request for fiscal 1956 to increase the area development budget from a level of \$120,000 to \$370,000. This request was denied by the Congress.

Senator SPARKMAN. Before I ask the panel to open the discussion, let me ask you as to these publications that you referred to, to what extent are they distributed—how and through what channels?

¹ Letter dated June 13, 1955, from Czar B. Langston, Jr., assistant director, State of Oklahoma Department of Commerce and Industry, Capitol Building, Oklahoma City, Okla.

Mr. ROTERUS. We have, for example, a bulletin which we began some months ago called the Area Development Bulletin.

Senator SPARKMAN. Called what?

Mr. ROTERUS. Area Development Bulletin. This is issued every 2 months. In this we try to pull together all material in the Government, studies like our own, BLS, data in the Census Bureau, your Joint Economic Committee publications are often cited in here—for example, predictions for 1956 and your low-income publications—with the idea of depositing in one convenient place all the technical informational aids that are in Government and making it available to the surplus labor areas, to the State agencies working on this problem, and to whoever wishes to get on the mailing list.

We have been surprised in checking the mailing list to find marketing units of big corporations, a great number of banks. We made special efforts, however, to get this publication into each labor surplus area. The charge is 60 cents. We give it to them for free.

Senator SPARKMAN. Does it go automatically to these labor-surplus areas?

Mr. ROTERUS. Yes, and to State agencies.

Senator SPARKMAN. To whom does it go there? Let's take a labor-surplus area. Take Jasper, Ala. Who in Jasper, Ala., would receive it?

Mr. ROTERUS. I wouldn't know definitely, but probably the chamber of commerce there. In Wilkes-Barre, for example, it is the industrial development fund—

Senator SPARKMAN. Of course, any chamber of commerce would be placed on the mailing list?

Mr. ROTERUS. That is right. We made a special effort to have our field offices contact these people personally, because there had to be a request for us to pass it out to them for free.

Senator SPARKMAN. It seems to be a very good program.

Mr. ROTERUS. Then with respect to these other publications, similar notices are sent out and they are indicated as being available and, on request, supplied. State agencies pick them up and broadcast their availability also in their monthly publications or newsletters as do our field offices. We do try to make them known. In that effort, I am sure we are far short of perfect, because we have found that whenever announcement is made, say, in Industrial Development magazine, we get a raft of new orders.

Senator SPARKMAN. Mr. Batt, did you start to make a comment a minute ago?

Mr. BATT. My only criticism of Vic's operation is there is not enough of it. We made very good use of this book in organizing our industrial district in Toledo. The problem in getting help from Vic's shop is that it is so small it is impossible for his people to get out to even the major distressed areas, to say nothing of the minor ones.

Senator SPARKMAN. When you say there is not enough of it, do you mean it doesn't reach a sufficient number of interested communities, or do you mean they don't make enough surveys?

Mr. BATT. The publications are fine, but a publication can only go so far. I mean his staff is so limited that you can't get the help of specialists.

Senator SPARKMAN. In other words, they need technicians?

Mr. BATT. If we are going to do an adequate technical assistance job at the Federal level, it has got to be substantially augmented. Toledo was a major surplus labor area a year ago, and we wanted help on organizing an industrial district and we were able to get it. But it took a couple of months to do it, and Ted Pasma, the division's expert on industrial districts, was only able to give us a couple of days. If we hadn't substantial local resources, ourselves, that would not have been enough technical assistance. The division was just too short handed.

Mr. ROTERUS. We fully recognize that limitation, and to put it bluntly, we are working on a budget of \$120,000 a year. Last year we went in for an increase in that budget to bring it up to a level of \$370,000, with the recommendation of our Secretary and the recommendation of the Budget Bureau, the recommendation of the President's Economic Report, and the unanimous report of your committee also recommended an increase. We got nowhere with it—in the Congress. We are still operating under a \$120,000 budget.

Senator SPARKMAN. Perhaps more Members of Congress ought to know about the type of work you are doing.

Mr. ROTERUS. I think that is partly it, although we have tried to service Members of Congress, and where we have, they have been very pleased, or perhaps they were being very polite.

Senator SPARKMAN. Did you start to say something, Mr. Sufirin?

Mr. SUFRIN. I was going to say, Mr. Chairman, that while these publications are first rate and I approve of research—as a professional researcher, I say, “More of it, Glory be,” but my own experience with some of the smaller communities, not so large as Toledo, indicates they don't know how to use research. People in these smaller towns need somebody to hold their hands. They need somebody to tell them to do this, that, or the other thing.

The second point is that all research in the world won't solve what we might call the broker problem of bringing the potential investor and the community together. This is a job which requires salesmanship, shoe leather, knowledge, perseverance, and a lot of stick-to-itiveness.

First of all, one wastes a lot of time going from one community to another, because, as someone pointed out, only specific industries or firms can profitably be contacted. You have to pick an industry where the needs match some of the resources the community has. That is a big research job in itself, about which we have tried to do something in New York.

Secondly, the businessman may be busy, or not have the same view about his potential for expansion as you have. We do need some brokerage arrangement between the expanding industries and the communities. We have to get the communities to be more reasonable, more adept, more flexible in how they go about attracting industry. This is even more difficult than the research, which I think we have licked to some extent. Not that we have licked it completely, but we know our way here.

Senator SPARKMAN. Mr. Sufirin, if you have difficulty in New York, what do you suppose we do down South?

Mr. SUFRIN. I think it would be easier to sell an area, sir, which is in the process of expanding rather than one which is an old one.

Senator SPARKMAN. I must admit it is much easier now than it was when I was president of the chamber of commerce.

It comes to me a little surprising to learn that there are industry-hungry areas in New York. I have always thought of New York and most of the North and Eastern States being chockful of industries.

Mr. SUFRIN. We are a prosperous State, sir. We have pockets where we have some problems. On the whole, you are quite right.

Senator SPARKMAN. I want to say this about your brokerage: I know you are right on that.

I might just give a little experience of some operations in my own hometown, and my home area. A good many years ago we just voluntarily organized a small committee within the chamber of commerce which we called the industrial development committee, and took private subscriptions to support it. It has been running now for a good many years. It has been very successful.

Further than that, a number of the north Alabama communities—I might say north Alabama generally, the TVA area—went together and employed a full-time man who contacts industry. If I learned of an industry that was thinking of expanding I would immediately contact him, or contact the State chamber of commerce, and let them know, and they would send somebody out to contact that industry.

Several of you have mentioned industries, private industries, having contact men. In our State the Alabama Power Co. for many, many years has had a full-time staff doing just that, and, of course, the State chamber of commerce, the State planning commission, and all of those do it.

I think you make a point, and it is a point that demonstrates the difficulty that the small community is up against in trying to get industry because they do not have that contact man, they do not have the opportunity to get him, and I think it emphasizes the need that has been pointed out here for more technicians who can go in and, as you say, take them by the hand and show them what to do and how to do it.

Mr. ROTERUS. We agree completely with Mr. Sufrin's point. Our request for increase was for more field specialists because we felt that limitation he speaks of. The publications are all right for those who read and use them, but many of the communities have to be brought up to the point where they can begin using a concept like an organized industrial district, and each community has to be approached differently, and its problem discussed in its own terms in order for a lot of this material and the solutions to be effective, so the bulk of our requests was for field specialists.

On the problem of bridging the gap between the needs for these communities and the growth industries, we made a few forays into this field. In this discussion I do not want to pretend we are solving the problems, but at least we are cognizant of them and making attempts to be helpful. Several times a month leaders from private industry convene in the Commerce Building for industry conference meetings. A number of things are discussed there, but one of the items we bring up is this problem of surplus-labor areas. We point out to these executives that they have a stake in the problem, point out that in their expansion plans they might give consideration to these areas in their planning.

Senator SPARKMAN. May I suggest that one advantage this middleman—call him a broker, but the contact man, whatever he might be—has is that he may be able to do what is required to bring the right industry and area together. Lots of times he has to do with relatively small matters that might be peculiar to one particular area, or a particular requirement that that company might have.

I had this experience one time: I, on my way home, went by Myrtle Beach, S. C., and spent 3 or 4 days. While there I met an industrialist who one day casually remarked to me that he was going to build another plant in the South. He had about 3 plants in an area, and 1 of them was in Alabama, and he told me about where he was going to build the new plant. I said, "Why do you want to build it there? Why don't you come to Alabama?" You know what his answer was? "I have got 3 plants—or 4, whatever the number was—and I visit those plants, and by locating at a certain place I would just have a regular four that would be easy to make." I said, "Well, if you will locate in a certain area in Alabama that will fit in just fine," and I showed him exactly how it was.

When I went back home I put our man in touch with him, and in about 6 months' time he located right where I suggested.

That is a little thing that so often might escape attention, in fact might never come to the attention of a community; but I do not want to get off on those things, except simply to point out what you have said, the need of a contact man.

Mr. ADAMS. Mr. Chairman, I would like to come back to Mr. Strong's comments at the outset of his statement, where he emphasizes the causes of depressions in various areas, and the reason why we are talking about the problem.

I think that underlying all of our presentations here this morning has been the central idea that each one of these depressed areas has problems peculiar to itself, and that any program of relief needs to be tailor-made to suit the particular area in question.

I think there is some overall statistics that are rather illuminating on this problem of areas, and how they are growing. Recently, in a study of cities and urban development conducted by Coleman Woodbury, and others, they had occasion to review again a study made some 20 years ago of how the various industrial centers of the country were developing, and they found that the trends that were evident in the mid-1930's had continued during the past 20 years, and had been accelerated. The data showed that the industrial center in the periphery of the larger industrial centers is where the most rapid industrial growth is. The smaller communities are growing, but not growing as rapidly. Some of those that are off the main line of transportation, that are hard to get to, or have other disadvantages, are those that are growing less rapidly.

I think one of the main difficulties that is being faced in many communities is that the population growth is much more rapid than the industrial growth in a community, so that people either have to move away from the area, which most of them are reluctant to do, or else the younger people move away. This leaves pockets of older people who are underemployed, or who cannot get full-time employment in a community.

Now, I think that whatever program of aid to these communities might be developed needs to take account of these basic trends and

developments, and that in addition to the overall picture you are going to find peculiarities in each locality that explain why it is the Harvester Co. pulls out of Auburn after being there for 50 years, why it is Toledo or Detroit, or some other area, has a special problem, so that one of the essential jobs, it seems to me, in each of these areas, is to try to locate, first of all, what the underlying difficulties in the community may be. This needs to be supplemented, as a number of people have pointed out, with a positive analysis of the assets of this community, and therefore what kind of new concerns could possibly be attracted into the community.

Mr. STRONG. I would like to point out that it is very encouraging in our particular State that the small local community is becoming aware of the problem and, finally, shall we say, becoming educated to the fact that they must do something themselves.

As an example, we do none of our work except under contract. We feel that the local community should pay for it—maybe not a large amount of money, but that they must have an interest in it. It might be of interest for you to know that we have contracts signed 2 years hence to do this research work in these various communities, having been invited by them.

I think it is very, very encouraging that these communities are finally getting some know-how as to how to approach this problem.

On the other hand, we have many, many problems. I may mention the town of Mount Union, Pa. Mount Union at the present time has the highest rate of unemployment in the State of Pennsylvania. We have just finished a survey of that area. At the same time, this area has the largest deposits of silica sand in the world.

Now, why aren't these resources being utilized? Just the getting of that sand and the processing of it ought very well to put that community into a very good industrial position very shortly, but why hasn't it been done?

Senator SPARKMAN. Why hasn't it been done?

Mr. STRONG. They have been asleep on the problem. They have not known how to go about getting industry into the area.

Senator SPARKMAN. Is there a demand for that?

Mr. STRONG. Very definitely. It is growing by leaps and bounds. Silicon is taken from silica sand and is one of our newest and most promising raw materials.

Senator SPARKMAN. In other words, there is a resource there that simply is not being exploited?

Mr. STRONG. That is right, and, at the same time, the community has the highest unemployment in the State of Pennsylvania.

Senator SPARKMAN. By the way, that suggests something to me. A while ago, Mr. Batt, you referred to Jasper, Ala., as a chronic, I believe, a chronic case. It is always subject to unemployment.

Of course, I think anything that hangs on long enough will become chronic, but the thing that makes Jasper, Ala., and all of Walker County a "depressed area," if you want to use that term, or surplus labor area, I think is the fact that it was a one-industry area. That is, coal, bituminous coal, and as long as the coal industry is sick, and if they do not go out for something else, the area is destined to remain depressed.

Isn't that true, generally, where you find what we might call a sick industry? You have some of that in Pennsylvania, too, don't you?

Mr. STRONG. Yes, sir.

Mr. BATT. I am glad you made that point because Mr. Adams was emphasizing the differences. Every community has got a separate problem. I will agree with that.

At the same time, there are certain characteristics that go through all of them. The predominant characteristic, I think, is the point you made, Senator, and that is whether it is your chronic area, or your cyclically depressed areas, you generally find an overconcentration of the labor force in one industry. It became a truism with us in the Department of Labor when we worked on the problem there, that this kind of overconcentration was a source of weakness. It is the source of weakness even in towns, like Wichita, which are booming with full employment. Why are they booming? They are booming because the Government is in a cold war and buying B-52 Boeing bombers, in colossal quantities. What happens if peace breaks out, and the B-52 becomes obsolete? They have got 70 percent of their manufacturing employment tied up in aircraft production.

Somebody said not too long ago that a large part of Connecticut's prosperity was carried around by Hartford, and Hartford was carried around by the Pratt & Whitney, and Pratt & Whitney was carried around by one of the jet engines.

Overconcentration in any one industry, whether it is Walker County's coal or Pennsylvania's coal, or Amsterdam's textiles—

Mr. SUFFIN. May I interrupt to say not only concentration of one industry, but concentration of industries whose cycles synchronize.

Mr. BATT. That is the point, or who are in a long-term down cycle. Our problem is automotive, and I say particularly new automotive in Toledo. It is pleasing, too, when you have got yourself a boom in that industry, but it is not the kind of a diversified economy that, let us say, Grand Rapids has achieved. They used to be all wooden furniture, and since then, over the last generation, by very concentrated efforts, they have achieved a measure of diversification there, so that their community is tied into several industries, with different cycles, thereby achieving a measure of recession insurance.

Senator SPARKMAN. With reference to this concentration, isn't this true, too, that we often place too much emphasis upon getting some one big plant to move in, or to expand a plant already existing in the locality, rather than encouraging the building there of many small diversified industries?

Mr. BATT. Most important.

Senator SPARKMAN. My mind goes back to a town in my section of the country that withstood the depression perhaps better than any other one I know of. That is Scottsboro. There was not a single sign of a major industry in it, but there were many small industries, and they managed to keep up a rather steady employment, I believe, all through the depression. I believe it withstood it better than any other community in my section.

Mr. SUFFIN. I have asked some of the large New York firms what they think about new industry moving into their labor markets, and so in a sense share the labor supply with them. The replies are, "We are all in favor of it." "We are sick and tired of being the biggest employer in the area. The social responsibility is too great. We would like a more diversified community. Of course, we hope you do not bring in firms which compete directly for our labor."

Some of the largest firms in the State of New York feel that way now.

Mr. ROTERUS. I think the panel has covered the subject very well. However, I am a little surprised that one of the very real problems in these areas has not been touched on. It doesn't apply to only a few of the areas, and that is the problem of the labor relations. A good many of these areas have a poor labor-relations reputation, whether it is deserved or not, whether incurred in the remote past and is now a myth, but nevertheless the fact exists.

When we talk in industry conferences a couple of places have been specifically mentioned. That point has been brought up, and in our contacts with the communities, they, themselves, have brought up the point, this has been a stumbling-block to manufacturers who have looked at these areas as a possible location.

I think if the panel has any solution or contributions to make headway on that problem I think it would be very, very significant.

Mr. STRONG. I mentioned it in connection with Uniontown, Pa., as 1 of my 5 reasons.

Senator SPARKMAN. You mentioned it as a problem which we frequently met.

Mr. STRONG. That is right. We have it in the anthracite region where we have had labor difficulties. In Uniontown, particularly, there has been a real effort on the part of the local chamber of commerce, the Fayette County Industrial Council, and through the various industries and labor leaders to correct this situation. I am happy to say it has been corrected to a very large degree, indicating it can be done through concentrated effort. It is an educational process because it took years to build that reputation, and it cannot be lived down overnight.

Mr. ROTERUS. It could be useful if that experience were recounted, and just what steps they took.

Mr. STRONG. I could refer you to Mr. Stewart Neel, who is executive vice president of the Fayette County Development Council, who has really worked on this problem, and I think is making real progress.

Mr. BATT. I am glad you brought that point up because it is true of almost all your chronic areas, and it is true of many of the cyclically depressed areas, and there is something the Federal Government can do about it.

The reputation that many of these communities have dates back 20 and 30 years. In Toledo it dated back to the Autolite strike of 1933 or 1934, and the organizing days of the UAW and all the automobile towns had some rough times in industrial relations in the organizing days of UAW.

Since then the improvement has been steady, but it just did not happen. It was by a concentrated community effort, in this case sometimes called the Toledo plan, which was established by the city council when Michael Di Salle was mayor. It is now 10 years old. It is served on a volunteer basis by top industrial and labor people who, Mike once told me, never sat down together in the same room before; didn't know each other. These top people give of their time freely to sit as a voluntary mediation board. It is kind of a mediation service with local responsibility added, with a kind of intensive interest in community welfare which the Federal service cannot duplicate. The record has improved so tremendously that last year Toledo

had the best record for labor peace of any major city in the State of Ohio, and was commended by the State legislature for this, but getting this fact through to American industry is like breaking through an iron curtain.

We are beginning to do so, as witness the fact that we have had firms like General Mills, Republic Steel, Allied Chemical & Dye, and General Motors come into the city, but it has been a difficult communications problem. Our most useful tool has been a set of figures which we had to combine, based on Bureau of Labor Statistics figures on the time lost through work stoppages. These figures are fine but they are terribly slow in coming out because, I suppose, of shortages of staff. The 1954 figures, to my knowledge, aren't out yet, and 1955 is almost over. They only come out in absolute figures, so they are not comparable as between one city and another. So we had to take the BLS figures, and put them over BES estimates of labor force to get a man-days lost per worker figure. Then Toledo became comparable to both larger cities and smaller cities.

One of the recommendations that I was anxious to make was that this be done by the Government; that BLS make estimates not only of total man-hours lost but man-hours lost per worker. Absolute figures obviously are not comparable—the big cities always get the big increase.

Secondly, I would like to recommend that BLS increase their coverage to include all the depressed-area cities. You see even the 17 major areas classified by BES as depressed are too small to get in the statistics. These areas need this kind of help, and they do not have it to date.

It seems to me we should have BLS figures not only for the 17 major areas, but also for Walker County and the 44 minor areas as well. My guess is Walker County's reputation is based on something that happened 20 or 30 years ago when things were rough, and have no basis in fact today, but nobody knows that, including probably the people in Walker County.

I know that I found this in Herrin in southern Illinois. They have had a fine record of labor peace, but they are still living down the poor reputation acquired in the strike violence of 1923.

Senator SPARKMAN. Was labor a question in Auburn, Mr. Adams?

Mr. ADAMS. Yes; it was. I was going to say that while we didn't investigate that particular angle thoroughly, we have the impression that people locally thought that poor labor-management relations in the International Harvester plant was one of the reasons why the plant closed up and moved away. We feel that from what we could learn about the situation that the relationships there were no better, and no worse, than they were in the some 30 or 40 other plants of Harvester around the country.

It is true that they had difficulties locally, and that there were, to put it mildly, cantankerous labor leaders in the local plants, but this seemed to be true in other plants of the same company.

It seems to me that under some circumstances the status of labor-management relations can be overemphasized and conclude that new plants coming into the area will have the same sort of difficulty as older plants. I don't think that follows at all.

For example, the General Electric Co. located a branch plant on the outskirts of Auburn. That was 1 of the 4 that I mentioned that

came into the area. That plant, as far as I know, has had no difficulties. It is true that the work force employed there is different in character than it was in the Harvester plant. Very few of the ex-Harvester workers have found jobs there. They have had no difficulty, and none of the other three plants that came in and took over part of the old Harvester works have had any labor-management difficulties.

In this situation I think the local people tended to be afraid of a factor that really was not so much of a detriment to them as they might have thought.

SENATOR SPARKMAN. Mr. Roterus, let me ask you a question on a little different line. Do you have any idea how many there are of these local area development groups, such as Mr. Batt and you mentioned?

MR. ROTERUS. No.

Massachusetts passed a law creating, or permitting towns to create industrial foundations, and they and the Federal Reserve bank in Boston tried to survey the New England situation. They ran across the fact that we do not even know the number of these foundations and local groups, and we do not know enough about what they do in different parts of the country. Hence, we have a study underway determining just that, what they do in Mississippi as against what they do in Massachusetts; what they do in Oregon.

There are a great many of them—hundreds of them, I am sure—and they range from sort of a casual operation to most active ones.

We hope to characterize the picture for the country in a study we have underway now.

MR. STRONG. We have 38 such foundations, or industrial groups, in the State of Pennsylvania, where they are organized and recognized as having been organized, and are underway operating. There may be many others, but we know of 38 that are listed. They are definitely known. They have appointed secretaries, they are definitely in operation. We have the names of those.

MR. ROTERUS. We will be getting in touch with you on that.

MR. STRONG. Another thing that has not been brought up here, Mr. Chairman, I think perhaps might be highlighted to some extent. That is the great need there is in a local community for that community to realize that in order to attract industry to it that there are a great many factors to be considered. I have been on 2 committees hired as a consultant by industry to go out and locate industrial sites for 2 organizations, and with this experience I know that when we go into an area we are not looking just for the plant site alone. We look at the entire community. We look at their schools. We look at their retail stores. We look at the layout of the town. We look at the possibilities for residential building—what kind of buildings have been built there in the last 10 or 15 years. We talk to the people on the streets. We get the attitude of the local community. This is all very, very important. If the local community would only know that it is the total community that we are looking at, I think there is much education that needs to be brought into this picture. There is community motivation that we have not even begun to tap. We haven't even talked about it here in this committee this morning until now, and to me this is a very, very important thing.

Senator SPARKMAN. I am sure that is very important to industry which is moving to a new area. I was interested in your suggestion about plant availability. Do you just build a warehouse-type, open building, well-aired, well-lighted, and well-ventilated, a one-story building?

Mr. BATT. What we are doing in different cities—we stole the idea from Lowell, Mass., and they have done a lot of it in Pennsylvania, in several cities in Pennsylvania. There are different ones that proceeded different ways, Senator. We first found a group of small-business men who thought this was a good idea, and would finance it, and then they got together to finance the design of a multipurpose building calculated as nearly as possible to meet the needs of most light industries.

Again, these are small plants. The one we are designing is a basic plant, about 20,000 square feet, all brick and steel construction with a temporary fourth wall, on a site in an industrial park—and this is an awfully important factor because there is room to expand. All the utilities are there, and the building is so designed it can be expanded up to 50,000 feet. The floor is not being poured. It is a shell of a building. The walls are going up this week, as a matter of fact. The steel is up. Steel is terribly hard to get, so we had some wait on that, but the whole thing is there. It is what we call a package plan, really, with one step added; namely, putting the brick and mortar together.

We found in the first year of our operation that we failed to attract several companies because modern space in these smaller sizes, particularly, was not available immediately.

Senator SPARKMAN. Suppose instead of having that plant ready you would have been able to assure them that you would build the plant.

Mr. BATT. Almost every town can do that. That is a very useful tool. That is what we usually call the package plan, but it usually takes from 90 to 100 days, or more, depending on the size of the plant, and very often a company may take months or years to make up their mind, but when they make up their mind they want to move the day before yesterday.

Senator SPARKMAN. The only thought in my mind is whether or not a typical building can be easily designed to fit in almost any type of small business.

Mr. BATT. We find it is.

Senator SPARKMAN. I am thinking of railroad trackage, and the shape of the building, and the location of the utilities, and so forth.

Mr. BATT. Of course your large industries are out for a thing like this, your chemical industries, your large industries, but for most of your small operations, plants that go into industrial districts—and I think you will find this is true—that most of them can shift their operations to meet a building, and will do so if there is one available, and would prefer to do so. Many, of course, prefer to build one of their own, and can afford the time to do it.

Mr. STRONG. The industries that are using this type, I notice, are those types of businesses requiring small assembly operations. In our State the dress manufacturers, for example, will use this type of building.

Senator SPARKMAN. Small shoe factories or overalls plants, something of that kind?

Mr. STRONG. Yes, sir.

Senator SPARKMAN. By the way, there is one thing I was rather interested in, the fact that all of you discussed the feasibility, if I understand you, on the advisability of local offering of assistance and incentives to get plants to build or expand into these areas.

It seems to me that in recent years there has been a rather severe condemnation of some types of local incentives being offered. I take it, though, that all of you think that it ought to be limited to a lease, or make a sale over a long term, or something, rather than an outright gift or subsidy; is that right?

Mr. STRONG. That is right.

Senator SPARKMAN. Mr. Sufrin, you said something about tax-forgiveness. You don't advocate that, as I understand?

Mr. SUFRIN. Scarcely, sir.

Senator SPARKMAN. That is what I understood, but I wanted to bring this question up: What about a State offering a similar accelerated depreciation, just as the Federal Government does? Or even a city if it is right for the Federal Government to do it?

Mr. SUFRIN. It is a very difficult question to answer, sir. On the net, if the price level is constant and normal over a period of time accelerated depreciation gives you an advantage at the first part of the period, and gives you an added cost at the last part of the period, so that if you take a long enough span of time there is no net gain, really. There is net gain, only in the first part.

Senator SPARKMAN. It is usually those first few years that are important for small business.

Mr. SUFRIN. I would think—I am not sure of this, but I would think that assistance in intermediate financing would be more important and more beneficial than to thwart and twist your tax structure. I believe that equity demands that the tax burdens fall equally, so far as possible, on income-producing elements. I have almost a repugnance to giving a tax advantage to one group as against another.

I say this is not based on economic theory. This is based on maybe a moral or political feeling in the matter. You might argue that if you build a plant for somebody, aren't you in a sense giving him a special advantage? I think not, because he is going to pay for it. Nobody, as I gather from my colleagues, has argued for an outright subsidy. They argued to make a firm an attractive offer, which it is going to pay for in the long run, but give it something to bring it to a given community.

I would like to put it this way, if I may: When it is indifferent to a businessman whether to move to A or to B, a little advantage might attract him to A, even though he is going to pay for it in the long run. In my experience firms often do not like to build plants. They prefer either to rent or at least they prefer to have a place ready for them.

I fear I haven't answered you specifically, sir.

Senator SPARKMAN. It is quite satisfactory. I certainly don't want it understood by my asking the question that I advocate it. I do not, as a matter of fact. I think generally the company that has to be bought by some outright gift or subsidy generally is not or may not be a desirable company. I do know that lots of times industries like to have buildings already available, just like lots of times families like to rent houses rather than buy them.

Now, let me ask this question: Is there anything objectionable in cities, States, or other governmental bodies, issuing bonds? I think 2 or 3 of you referred to revenue bonds that might be issued. You know there has been a move in Congress to take away exemption from Government bonds, State and city bonds that were issued if they were used for that purpose. Do I understand from what you say that it is all right?

Mr. BATT. You don't understand that from what I said, Senator Sparkman, because this practice, of course, as you know, is centered in the South and in the North, generally. Certainly in Toledo we have not found the necessity of that.

Senator SPARKMAN. I am not recalling any particular one, but I believe in 2 or 3 of the panelists' papers reference was made to revenue bonds, and also to public donations or subscriptions. Did you say that yours was supported by private and public subscriptions?

Mr. BATT. Buildings and real-estate development we have so far been able to finance through private channels.

Senator SPARKMAN. No city or State contribution?

Mr. BATT. No city or State contribution.

Where it is possible to use private funds, of course, it is desirable to do so. The problem is rather different in a community which is already industrialized as against a community which is primarily agricultural, like most Mississippi towns. If you have no industry in them, the fact that you give concessions to an industry is publicly acceptable. As a matter of fact, they vote the bond issues. But in a community which has a lot of industry I think there would be intensive resentment against someone coming in and getting a free ride for 10 years. I do not think that would go over at all.

Senator SPARKMAN. Let us not confuse tax forgiveness with revenue bonds. I am not talking about anything being given here, but the bonds being issued for the purpose of financing the construction of your ever-available plants, for instance.

Mr. BATT. The bonds, then, are tax free?

Senator SPARKMAN. Not giving anybody anything, but that is their method of raising this revolving fund which you spoke about. You, I take it, raise it from private subscriptions, borrowing at the bank, or something of that nature?

Mr. BATT. Yes.

Senator SPARKMAN. But some communities, some other community might raise it by issuing revenue bonds. I am talking about that revolving fund for the purpose of financing the building or the erection of these buildings, and not as a gift.

Mr. STRONG. I think this point you are making is best exemplified by the Scranton situation where \$3½ million was raised through voluntary contributions and debenture bonds.

Senator SPARKMAN. I remembered that in your paper you referred to revenue bonds.

Mr. STRONG. That is right. That is the method by which they have raised their money, which stays in the community. Then, further, the local banks and insurance companies participate from 50 to 66⅔ percent in the cost of the construction, through a first mortgage.

Senator SPARKMAN. I wondered to what extent the use of debenture bonds is made. Do you know, by these various development organizations, or by municipalities?

Mr. STRONG. I don't know. I am under the impression that most of the so-called foundations, or organizations similar to the foundation at Scranton, use that particular method.

Senator SPARKMAN. Now, is the foundation a private organization, or is it a part of the government of the city of Scranton or the county?

Mr. STRONG. The foundation is founded in Scranton. The official name of it is the Scranton Plan Corporation.

Mr. BATT. It is a private organization?

Mr. STRONG. That is right.

Senator SPARKMAN. It is not a governmental unit?

Mr. STRONG. No; it is not.

Senator SPARKMAN. What I had reference to was the use of governmental agencies for issuance of bonds.

Do any of you know to what extent use of it is made?

Mr. ROTERUS. I do not think it is very widespread. I think the popular impression is that it is heavily used in the South; it is permitted to be used in the South in Tennessee and Kentucky. I have seen studies made down there which indicate it has not had wide use.

Senator SPARKMAN. I was thinking of Louisiana.

Mr. ROTERUS. Louisiana has a 10-year tax exemption on a State level, and Tennessee uses a revenue bond device, Mississippi has a tax-free bond device.

Senator SPARKMAN. If the State is to aid in this thing—and, of course, the municipality is an agency of the State—if the State is to give aid, isn't that about as good a way as it can give it, providing your available plants, and using the taxing powers of the State for

the purpose of raising the money, which is to be paid back to create the revolving fund that will build those plants?

Mr. BATT. I think the State has a very real function there. Governor Leader is proposing this function in Pennsylvania.

Mr. STRONG. That is right.

Mr. BATT. I do not know quite how it is going to work. Do you?

Mr. STRONG. No. It is up before the Senate now in Pennsylvania.

Mr. BATT. Did he propose that the Government actually build plants in these towns?

Mr. STRONG. No. He proposed the setting up of revolving funds, based upon the Scranton plan.

Senator SPARKMAN. The State will set it up?

Mr. STRONG. That is right.

Senator SPARKMAN. The same thing, isn't it?

Mr. STRONG. That is right.

Senator SPARKMAN. The money has to be raised. It does not matter whether it is raised through taxation, or issuance of bonds, or other ways, as long as the credit of the State is involved.

Mr. STRONG. That is right.

Senator SPARKMAN. I do not care to argue the point, but it seems to me that sometimes we too hurriedly make the point that a certain plan is bad without examining it more thoroughly and more carefully. I know very little about these so-called plans that are often referred to in the South. I have heard a good bit about the one over in Mississippi. I know very little about how it works, but it seems to me that it is a subject that requires more thought, more real thought, than perhaps we have given to it.

Mr. SUFRIN. Mr. Sparkman, to complete the picture, if the problem is available of intermediate funds, 7- to 10- to 12-year funds, it is possible to use the banking structure for this, and in New York, as you know, the legislature has this year permitted the formation of an industrial development corporation to provide funds. This is a private corporation. It will be owned, I presume, largely by the banks. I think, however, the essential problem is not to supply capital. I think the essential problem is to get the demand for capital created in a place where you want it. The problem of capital, of the supply of capital, is not a terribly difficult one in the United States. It is the demand for capital which is the serious problem.

Senator SPARKMAN. I hope you won't generalize too much on that. You know it is pretty hard to compare ability to meet capital requirements in New York and over in Walker County, Ala., for instance.

Mr. SUFRIN. Mr. Sparkman, not 8 weeks ago I finished a book that just came out on capital formation in underdeveloped areas, W. Wolf, of California. Our conclusion there is that the demand problem for capital is even a more serious problem in truly underdeveloped areas than is the supply of capital.

Senator SPARKMAN. Have you studied the housing program in the United States with reference to that?

Mr. SUFRIN. This particular book had to do with the Middle East and Southeast Asia.

Senator SPARKMAN. When you said underdeveloped areas I thought you meant in the United States.

Mr. SUFRIN. No.

Mr. BATT. I think I would take issue with you there, Mr. Sufrin. I think the need for capital is basic. The very fact that New York State is going into the New England pattern of industrial development credit corporations—Al Neal is on your panel this afternoon, and he is the kind of angel for this operation in New England—the very fact that you had to create these in New England and in New York indicates that the private capital-providing institutions are not doing the job.

Mr. SUFRIN. I am not an expert in this, but a little investigation I have done with the New England systems seems to indicate that once the credit corporations were developed, what happened was that they themselves did not lend a great deal of money, but that the banks, having learned about who needs capital, go on to undertake the lending tasks.

Mr. BATT. Some of them.

Mr. SUFRIN. I think the greatest success of the development corporation idea is that it stimulates the banks to do the job.

Mr. BATT. That is one aspect, but the fact that you have State development credit corporations, and also in some 40 communities in New England alone local industrial development corporations, which in effect are local RFC's, would indicate that you have got a financing function there which is not being performed by your normal private sources at all. I can't help but feel that we have got some cases where private financing, although they have taken care of some big ones, are not doing the entire job. I wish we had a development credit corporation in Ohio.

Mr. SUFRIN. There is always the danger that if you set up some very special type of agency, it will get all the lemons. People who aren't good enough risks to get capital through the normal facilities, will get capital through some extraordinary way; then they become a tremendous burden on the community. All the capital is not lost, but they become a burden on the community. They build up some employment and the operation goes kaput. This is why one must be terribly careful.

Mr. BATT. It is a risk worth taking if they employ a couple of hundred people for several years.

Mr. SUFRIN. You might lose some alternative possibilities.

Mr. BATT. None of the development corporations in New England to my knowledge have lost money.

Mr. SUFRIN. I agree. My investigation hasn't been very thorough. It seems to indicate the greatest value to New England of the development corporations was they stimulated the banks to do the job.

Senator SPARKMAN. Let me ask you a few specific questions. Time is slipping up on us. Dr. Ensley has a question to ask, Miss Snyder may have, but I have 1 or 2 questions I want to ask each one of you.

Mr. Batt, you referred to your industries moving into Toledo. I am not sure that you told us whether they represented relocation, plant relocation, or plant expansion.

Mr. BATT. Almost entirely plant expansion.

Senator SPARKMAN. And one other thing, too: I believe you spelled this out later, about information on lost work. I believe you said you had made recommendations to BLS.

Mr. BATT. No, I haven't, but I would like to use this opportunity to do so, sir. If it is of any value to you, here is the study we made using BLS and BES figures of comparative work stoppages as far back as BLS figures go, which is 1950, in about 27 middle western and eastern industrial cities, to illustrate what we have in mind. This is a series which BLS doesn't now prepare. It is a combination of BLS and BES figures.

Senator SPARKMAN. Would you like to offer that for the record?

Mr. BATT. Yes, thank you, Senator.

(The information referred to is as follows:)

OHIO STATE EMPLOYMENT SERVICE, BUREAU OF UNEMPLOYMENT COMPENSATION

BLS and BES figures on comparative work stoppages

City	Number of stoppages beginning in 1953	Total man-days lost 1953	Average non-agriculture employment, wage and salaried workers, 1953	Man-days lost per each wage and salaried worker, 1953
1. Dayton, Ohio.....	7	15, 700	206, 000	0.08
2. Boston, Mass.....	78	198, 000	944, 100	.21
3. New Haven, Conn.....	18	33, 700	119, 600	.28
4. Trenton, N. J.....	19	34, 400	124, 400	.28
5. Baltimore, Md.....	27	176, 000	540, 000	.33
6. Chicago, Ill.....	126	803, 000	2, 426, 800	.33
7. Cleveland, Ohio.....	50	266, 000	671, 900	.40
8. Toledo, Ohio.....	31	71, 800	166, 000	.43
9. Providence, R. I.....	34	129, 000	294, 000	.44
10. Fall River, Mass.....	13	22, 600	49, 600	.46
11. New York, N. Y.....	586	2, 510, 000	5, 149, 100	.49
12. Terre Haute, Ind.....	11	18, 900	36, 500	.52
13. Louisville, Ky.....	38	132, 000	232, 800	.57
14. Fort Wayne, Ind.....	10	62, 600	81, 500	.77
15. Buffalo, N. Y.....	84	401, 000	450, 700	.89
16. Philadelphia, Pa.....	164	1, 240, 000	1, 400, 000	.89
17. Pittsburgh, Pa.....	137	739, 000	820, 100	.90
18. Evansville, Ind.....	15	67, 800	73, 800	.92
19. Grand Rapids, Mich.....	5	101, 000	107, 500	.94
20. Bridgeport, Conn.....	19	135, 000	123, 100	1.10
21. Cincinnati, Ohio.....	54	449, 000	388, 000	1.16
22. Youngstown, Ohio.....	110	230, 000	197, 000	1.17
23. Detroit, Mich.....	198	1, 720, 000	1, 352, 200	1.27
24. Indianapolis, Ind.....	24	387, 000	281, 200	1.38
25. Akron, Ohio.....	44	254, 000	174, 900	1.45
26. Milwaukee, Wis.....	33	580, 000	379, 100	1.53
27. Columbus, Ohio.....	22	368, 000	222, 200	1.66

NOTE.—Data for Canton, Ohio, not available for 1953.

Source: Prepared from statistics published by the Bureau of Labor Statistics and the Bureau of Employment Security, U. S. Department of Labor.

OHIO STATE EMPLOYMENT SERVICE, BUREAU OF UNEMPLOYMENT
COMPENSATION—Continued*BLS and BES figures on comparative work stoppages—Continued*

City	Number of stoppages beginning in 1952	Total man-days lost 1952	Average non-agricultural employment, wage and salaried workers, 1952 ¹	Man-days lost per each wage and salaried worker, 1952
1. Boston, Mass.....	65	210,000	944,800	0.22
2. Providence, R. I.....	30	108,000	292,600	.37
3. Fort Wayne, Ind.....	6	32,300	79,500	.41
4. New York, N. Y.....	610	2,070,000	5,031,600	.41
5. Grand Rapids, Mich.....	23	44,000	102,300	.43
6. Indianapolis, Ind.....	15	126,000	273,000	.46
7. Fall River, Mass.....	5	23,100	47,500	.49
8. Bridgeport, Conn.....	11	63,400	120,000	.53
9. New Haven, Conn.....	18	64,400	115,800	.56
10. Dayton, Ohio.....	16	147,000	198,700	.74
11. Columbus, Ohio.....	18	157,000	205,500	.76
12. Evansville, Ind.....	18	51,900	67,200	.77
13. Philadelphia, Pa.....	147	1,290,000	1,381,600	.93
14. Cincinnati, Ohio.....	48	354,000	372,700	.95
15. Toledo, Ohio.....	32	176,000	164,600	1.07
16. Milwaukee, Wis.....	28	414,000	368,900	1.12
17. Terre Haute, Ind.....	11	53,200	36,400	1.46
18. Louisville, Ky.....	42	373,000	218,200	1.71
19. Cleveland, Ohio.....	51	1,190,000	659,900	1.80
20. Detroit, Mich.....	186	2,450,000	1,249,000	1.96
21. Baltimore, Md.....	22	1,050,000	531,400	1.98
22. Chicago, Ill.....	150	5,360,000	2,350,000	2.28
23. Trenton, N. J.....	16	305,000	115,800	2.63
24. Buffalo, N. Y.....	70	1,380,000	415,300	3.32
25. Pittsburgh, Pa.....	137	3,760,000	820,600	4.58
26. Akron, Ohio.....	66	802,000	171,000	4.69
27. Canton, Ohio.....	18	735,000	123,200	5.97
28. Youngstown, Ohio.....	80	1,980,000	195,600	10.12

¹ July employment not included when computing average due to influence of labor-management dispute in steel.

Source: Prepared from statistics published by the Bureau of Labor Statistics and the Bureau of Employment Security, U. S. Department of Labor.

OHIO STATE EMPLOYMENT SERVICE, BUREAU OF UNEMPLOYMENT
COMPENSATION—Continued*BLS and BES figures on comparative work stoppages—Continued*

City	Number of stoppages beginning in 1951	Total man-days lost 1951	Average non-agricultural employment, wage and salaried workers, 1951	Man-days lost per each wage and salaried worker, 1951
1. Dayton, Ohio.....	15	12,000	201,600	0.06
2. Boston, Mass.....	23	59,700	934,800	.06
3. Columbus, Ohio.....	14	13,500	190,600	.07
4. Baltimore, Md.....	18	34,400	516,900	.07
5. Louisville, Ky.....	20	21,800	212,300	.10
6. Grand Rapids, Mich.....	11	10,400	102,800	.10
7. Newark, N. J.....	35	75,000	686,800	.11
8. Terre Haute, Ind.....	13	5,990	36,100	.17
9. Pittsburgh, Pa.....	57	141,000	817,300	.17
10. Buffalo, N. Y.....	47	74,900	397,500	.19
11. Philadelphia, Pa.....	67	290,000	1,353,900	.21
12. Chicago, Ill.....	59	539,000	2,329,200	.23
13. Trenton, N. J.....	13	28,000	115,900	.24
14. New York, N. Y.....	329	883,000	3,682,600	.24
15. Paterson, N. J.....	18	78,400	314,200	.25
16. New Haven, Conn.....	10	31,100	112,100	.28
17. Indianapolis, Ind.....	22	75,200	271,900	.28
18. Cincinnati, Ohio.....	36	139,000	353,100	.39
19. Youngstown, Ohio.....	35	80,400	194,800	.41
20. Milwaukee, Wis.....	23	160,000	384,000	.44
21. Fort Wayne, Ind.....	10	42,500	79,600	.53
22. Bridgeport, Conn.....	14	58,800	111,800	.53
23. Cleveland, Ohio.....	38	369,000	637,700	.58
24. Fall River, Mass.....	17	36,900	52,200	.71
25. Toledo, Ohio.....	23	117,000	159,000	.74
26. Detroit, Mich.....	161	945,000	1,265,700	.75
27. Akron, Ohio.....	58	181,000	168,200	1.08
28. Providence, R. I.....	12	485,000	274,000	1.77
29. Evansville, Ind.....	23	136,000	61,400	2.21

NOTE.—Data for Canton, Ohio, not available for year of 1951.

Source: Prepared from statistics published by the Bureau of Labor Statistics and the Bureau of Employment Security, U. S. Department of Labor.

OHIO STATE EMPLOYMENT SERVICE, BUREAU OF UNEMPLOYMENT
COMPENSATION—Continued*BLS and BES figures on comparative work stoppages—Continued*

City	Number of stoppages beginning in 1950	Total man-days lost 1950	Estimated average non-agricultural employment, wage and salaried worker, 1950	Man-days lost per each wage and salaried worker, 1950
1. Boston, Mass.....	20	26,900	876,500	0.03
2. Bridgeport, Conn.....	10	4,620	97,900	.05
3. Providence, R. I.....	17	17,100	230,000	.07
4. Dayton, Ohio.....	14	24,400	185,200	.13
5. Baltimore, Md.....	16	67,500	467,600	.14
6. Newark, N. J.....	43	117,000	657,700	.18
7. Columbus, Ohio.....	17	37,400	178,400	.21
8. Fall River, Mass.....	11	11,100	50,400	.22
9. New York, N. Y.....	329	802,000	3,398,100	.24
10. Canton, Ohio.....	11	27,200	109,600	.25
11. Chicago, Ill.....	91 ₃	573,000	2,247,800	.25
12. Philadelphia, Pa.....	65	356,000	1,281,600	.28
13. Paterson, N. J.....	29	87,800	302,900	.29
14. Cincinnati, Ohio.....	31	134,000	338,800	.40
15. Buffalo, N. Y.....	34	190,000	371,900	.51
16. Akron, Ohio.....	45	87,500	155,900	.56
17. Pittsburgh, Pa.....	58	457,000	768,500	.59
18. Cleveland, Ohio.....	63	420,000	570,000	.74
19. Grand Rapids, Mich.....	12	75,500	101,700	.74
20. Indianapolis, Ind.....	17	206,000	246,500	.84
21. Milwaukee, Wis.....	44	300,000	348,600	.86
22. Terre Haute, Ind.....	11	31,400	33,900	.93
23. Trenton, N. J.....	24	104,000	109,100	.95
24. Toledo, Ohio.....	41	181,000	145,500	1.24
25. Louisville, Ky.....	34	546,000	195,500	2.79
26. Fort Wayne, Ind.....	10	230,000	73,500	3.13
27. Evansville, Ind.....	14	338,000	58,700	5.76
28. Detroit, Mich.....	149	6,630,000	1,097,500	6.04

NOTE.—Data for New Haven, Conn. and Youngstown, Ohio, not available for 1950.

Source: Prepared from statistics published by the Bureau of Labor Statistics and the Bureau of Employment Security, U. S. Department of Labor.

OHIO STATE EMPLOYMENT SERVICE, BUREAU OF UNEMPLOYMENT
COMPENSATION—Continued*BLS and BES figures on comparative work stoppages—Continued*

City	Average yearly number of stoppages beginning in year 1950-53	A average yearly num- ber of man- days lost 1950-53	Estimated average non- agricultural employment wage and salaried workers 1950-53	Average yearly num- ber of man- days lost per each wage and salaried worker 1950-53
1. Boston, Mass.....	47	123,700	925,100	0.13
2. Dayton, Ohio.....	13	49,800	197,900	.25
3. New York, N. Y., and NE New Jersey.....	495	1,655,800	4,805,800	.34
4. New Haven, Conn.....	15	43,100	115,800	1.37
5. Fall River, Mass.....	12	23,400	49,900	.47
6. Grand Rapids, Mich.....	13	57,700	103,600	.56
7. Bridgeport, Conn.....	14	65,500	113,200	.58
8. Philadelphia, Pa.....	111	794,000	1,354,300	.59
9. Baltimore, Md.....	21	332,000	514,000	.65
10. Providence, R. I.....	23	184,800	272,700	.68
11. Columbus, Ohio.....	18	144,000	199,200	.72
12. Cincinnati, Ohio.....	42	269,000	363,200	.74
13. Indianapolis, Ind.....	20	198,600	268,200	.74
14. Terre Haute, Ind.....	12	27,400	35,700	.77
15. Chicago, Ill.....	107	1,818,800	2,338,500	.78
16. Toledo, Ohio.....	32	136,500	158,800	.86
17. Cleveland, Ohio.....	51	561,300	634,900	.88
18. Milwaukee, Wis.....	32	363,500	365,200	1.00
19. Trenton, N. J.....	18	117,900	116,300	1.01
20. Fort Wayne, Ind.....	9	91,900	78,500	1.17
21. Buffalo, N. Y.....	59	511,500	408,900	1.25
22. Louisville, Ky.....	34	268,200	214,700	1.25
23. Pittsburgh, Pa.....	97	1,274,300	806,600	1.58
24. Akron, Ohio.....	53	331,100	167,500	1.98
25. Evansville, Ind.....	18	148,400	65,300	2.27
26. Detroit, Mich.....	174	2,936,300	1,241,100	2.37
27. Youngstown, Ohio.....	75	763,500	195,800	3.90

¹ 3-year average for New Haven, Conn., and Youngstown, Ohio.

NOTE.—Data for Canton, Ohio, not available for 1951 and 1953.

Source: Prepared from statistics published by the Bureau of Labor Statistics and the Bureau of Employment Security, U. S. Department of Labor.

SENATOR SPARKMAN. Now, Mr. Strong, I wanted to ask you one question and it relates to Federal aid. I gathered from your statement that you believe that we ought to minimize the Federal aid given. Just what kind of Federal aid do you think we should give?

MR. STRONG. I pointed out that when a community has gone as far as it has or can go, and needs additional assistance, certainly Federal loans, or loans perhaps even from States, might well be in order, as opposed to Federal subsidies. I am not thinking of a subsidy at all. Again, I submit Scranton, Pa., as a case in point, where a terrific amount of work has been put in, but where, even with all of that effort, there is still a relatively small amount of money coming into the revolving fund for reinvestment where, if aid could be stepped up, say, with a half-million-dollar loan, they could do a great amount of good for the area and bring in even more industry.

SENATOR SPARKMAN. You mean a Federal loan?

MR. STRONG. A loan from some source and here, again, a Federal loan might do.

SENATOR SPARKMAN. I was wondering if you meant to advocate some kind of Federal loan program, such as we used to have under RFC and which we now have, to a limited degree, under the Small Business Administration. I am not sure a small-business loan is available. I don't believe it is available for starting a new business. I think it

can only be used for the purpose of supporting a going business. You do believe some such program as that might be feasible?

Mr. STRONG. That is right. There must be money from some source, I will put it that way.

Senator SPARKMAN. You think, in other words, that availability of credit is a real problem?

Mr. STRONG. Absolutely; I certainly do.

Senator SPARKMAN. Mr. Adams, a couple of questions I wanted to ask you: One was about the experience of the Auburn workers. You referred to the relative ease with which they went on to new jobs after the plant closed down.

So, often you hear that a retraining program is necessary. Is that not necessary?

Mr. ADAMS. Apparently not, sir. A good many of the workers in part of the Harvester works found that virtually their old jobs came back when a new concern came in and took over the foundry operation. The skilled workers—that is, the machinist and toolmakers and persons of that high level of skill—found no difficulty in getting other jobs, either in Auburn itself or in surrounding communities, such as Syracuse. The others, the single-skilled operator type of individual, apparently found other kind of work without much difficulty. There didn't seem to be any need in that particular case for a retraining program. Or at least if they had to be retrained, they were retrained on their new jobs.

Senator SPARKMAN. Do all of you believe that the matter of education, the training of or having a trained labor force, is a big item that sometimes we overlook?

Mr. ROTERUS. I think there are exceptions to it.

Senator SPARKMAN. That is about the first thing that the industrialist wants to know, isn't it, what kind of labor force he has and how well trained it is?

Mr. ROTERUS. Some of the people in the South I have talked to have brought up an interesting point. One was a printing establishment, one of the first big ones in the South. They drew their people from the hills of Tennessee and North Carolina and Virginia, and I asked if they had difficulty on the labor side, training, and so forth, and they said no, it worked out beautifully. They emphasized that they didn't have to untrain their labor from somebody else's methods. They trained them as they wanted them, and I encountered similar reactions in other parts of the South. That is true, I suppose, for the operations that require semiskilled type of work; when you get into the skilled category it is undoubtedly different.

Mr. BATT. It depends on the different type of industry.

Senator SPARKMAN. I might throw in this, though: Back in the days prior to World War II when we were expanding our plants tremendously, starting our defense effort, I was in the House of Representatives at the time, and it was a continuing headache to me to try to get some kind of Government plant into my area in Alabama. I always encountered this idea that the South didn't have a trained labor supply. Finally, they went down and opened different plants. I remember they opened a shell plant at Gadsden, Ala. I was there when the first run was made and the shells were lying there and the superintendent of the plant was showing our committee—a congressional committee—around the plant.

He came to these shells that came off the first run of yesterday, and he said, "You know, there is a strange thing about it. There wasn't a single cull in the lot." He said, "It is most unusual."

Then he turned to me and said, "Mr. Congressman, when that run was made, you might be interested to know that I was the only Yankee in the crowd." I said to him, "Where did you get your help?" He said, "We got them out of the cotton fields around here." And so many industries that have moved in and are starting to move in have found that same thing to be true.

Some time after that, an officer from the War Department was testifying before our committee, and I said something to him about their experience with labor in the South, and he said, "You know, we labored under a false impression for a long time, that you didn't have a good labor supply in the South." He said, "We found out that you had the best in the world. We could take those boys out of the cotton fields who had been working with Ford cars and tractors and mowing machines all their lives, and we found they had learned how to use their hands." He said, "That is all we needed."

So I think that may very well fit in with your suggestion. I really have reference to a higher level of general education, rather than specific technical training.

Mr. BARR. I was going to make the point, since you have raised this training question, the Western Electric people once told me that they had a fine experience with former women textile workers in their plant in Lawrence. You know, they built a brandnew one. They found that they can retrain them, in a matter of a few weeks, to be cracker-jacks in electronics manufacturing.

Another experience that ought to appear in here is the Utica experience, where they put on a very extensive retraining program with State aid; you know more about that than I do, Mr. Sufrin. It was a State-aided program of retraining the former textile workers in Utica, N. Y., to go to work for General Electric in their electronics plant. It was quite a success.

Senator SPARKMAN. I think it comes back to what this officer said: they have learned to use their hands, which after all is the basic part of their training.

Mr. Sufrin, I understand you are making some kind of long-range community study in New York State. Could you tell us something about that very briefly?

Mr. SUFRIN. The university is doing a couple of things of some interest. Oswego at one time was an important port city and then it declined and now is in the process of building up again. We have some people investigating the history of a declining and regrowing community in Oswego. We are finding that Syracuse is a central city, with satellite cities about it.

At the same time the population of the area is moving to the area around Syracuse, it is not concentrating in Syracuse. We have people working in Syracuse, coming from the outskirts, but we have people working in Syracuse coming from Auburn, or Oswego, 26 or 30 miles away. When we go to cities like Oswego, or Auburn, we find that some of those people travel as many as 40 miles to their jobs. This might be rather rough on the communities where these people live, because such towns may lack a good tax base. Employment by itself is not a good measure of how well the community is doing.

In addition we are doing a study which deals more specifically with labor supply. We are trying to find out what are the cross currents, the cross movements of people in the Syracuse area. That study has been begun, using some Department of Labor people. We hope to have some results on that.

New York has a big population concentrated in New York City. About half the people of the State do not live in New York City. About 75 or 80 percent of the non-New York City population live in a corridor about 20 miles wide on the two waterways, the Hudson River and the barge canal. So while New York State is a very large geographic area, the population is concentrated in a rather restricted fashion. This seems conducive to the development of central and satellite cities.

In the State of New York there are very complex movements of labor, occupational and geographical. This probably means that our traditional notion of what a labor market is will have to undergo very great changes. The industrial job market is becoming quite different from the population employment market. The two aren't congruent. This ultimately will lead to great tax problems of cities, counties, and so forth. That is the sort of thing we have been attempting, Mr. Chairman.

Senator SPARKMAN. Thank you.

Is there anything further any of you want to add?

It has been a very fine discussion. I want to express my appreciation to each one of you for your part in it.

The topic for the panel discussion this afternoon is Paradox of Modern Economic Society; the existence of chronically depressed industrial areas doing periods of full employment.

I would like to say before I close this meeting that this subcommittee has invited others to submit statements and, in accordance with that invitation, we have statements relating to this morning's discussion topics from Alice Beardslee, community consultant, department of community development, Southern Illinois University; Jacob Blecheisen, executive secretary, Southern Illinois Development Committee; William P. Rock, executive director, Arkansas Industrial Development Commission. We will include them in the record.

(The statements referred to are as follows:)

DEVELOPMENT PROGRAMS FOR DEPRESSED COMMUNITIES IN SOUTHERN ILLINOIS

Alice Beardslee, community consultant, department of community development,
Southern Illinois University, Carbondale

It is indeed a paradox in our country in the year 1955, a period when the national economy has reached an all-time high, when employment is at its peak, investments are spread over a broad base and production is soaring, to find an area, southern Illinois, which is economically and socially depressed. This section of Illinois, comprising approximately the southern one-third of the State, is typified by a "potatoes and gravy" standard of living compared to the "red meat" level that is now prevalent in most of the country.

It is a point of national concern that any area can be described in terms of its deteriorating human resources. Since the early twenties when the coal industry began its decline, the population of southern Illinois has been steadily decreasing except for a slight increase during the war, until the low point was reached during the period 1940-50. During that decade 1 county lost 27.8 percent of its population.

Due to these migration shifts, southern Illinois has become a pool of the indigent, the handicapped, and the less able. High-school and college students flee to other sections of the country on graduation day, and the outmigration of skilled workers, professional personnel and businessmen has drained much of the leader-

ship from the area. The remaining human and financial resources are not adequate to meet the demands of our changing economy or to adjust to the expanding national market.

Southern Illinois is suffering from unemployment, low per capita income, and low educational attainment levels. The area has approximately 11 percent of the population of the State of Illinois but receives 17 percent of the State welfare aid.¹ State tax expenditures on such services as school aid, welfare, etc., in some counties are greater than the State tax revenues from those counties. In one city the municipal government could not meet its February 1955 payroll so the employees went to court, with the city council's blessing, to force the issuance of judgment bonds. No holder of an elective office in that community sought reelection in the primary which was held the following month.

Southern Illinois is faced with the need to increase the productivity and level of earnings of a people stripped not only of their economic base, much of their leadership and basic human skills, but lacking also in hope for their future and content with a substandard existence from "rocking chair" money. With this deterioration of the human resources in any community, there is an inability to provide adequate municipal services, such as schools, utilities, housing, etc., which hold and attract population and industry.

This situation, however, need not be accepted as inevitable. There are many reasons to believe that with adequate assistance and leadership these conditions can change and southern Illinois can support a healthy and stable population. It is an area that is strategically located at the population center of the United States. It has sufficient natural resources which need only to be developed, and there are many leaders in the area today who are well aware of the rehabilitation that needs to be done. As will be pointed out in the body of this report, a considerable effort is now being made by certain institutions within the area to rectify the conditions cited above, although it is doubtful that within the foreseeable future these efforts can produce any more than minimal results, unless further outside assistance is made available.

AREA DECLINE

The southern part of Illinois was the first section of the State to be developed by the early settlers. First France, then Britain, claimed the Illinois country until the Revolutionary War, when Virginia took possession of the area. There followed then a period of settlement by pioneers, mainly from the Southeastern States. However, with the development of the Cumberland Trail to the north and the growing use of the steamboat, the migration shifts increasingly bypassed this southern section of Illinois. The early settlers remained isolated from the growing and more progressive cultures, which were developing around them. Life in southern Illinois therefore tended to become static, and this isolation continued until the modern systems of highways and communication were developed.

Saltworks, mines, and iron foundries were among the first industries of importance in the area. Commercial coal mining had its beginning in the early 1820's, and by 1840 it was the major economic activity in many counties. This rapid development of the mining industry brought a heavy European immigration to southern Illinois as well as an influx of workers from Tennessee and Kentucky. But because of the absentee ownership (Chicago) of the local coalfields, there developed an attitude of unconcern toward the communities where the workers lived.

Population changes

The population of the area increased rapidly during the first half of the 19th century and continued to increase, concurrent with the growth of the mining industry, up until 1930, when the first decline is recorded. From 1940 to 1950 the population in the southern 32 counties decreased more than 48,000 (table I). During the same decade, however, the population for the country as a whole increased 14.5 percent.

¹ Source: Illinois Public Aid Commission, Summary of Public Aid in Illinois and Commission Activities, Springfield, Ill., August 1955.

TABLE I.—Population growth in southern Illinois, by decades ¹

Year	Population	Decade change	Percent change
1860.....	308,729	127,424	70
1870.....	447,411	138,682	45
1880.....	524,165	76,754	17
1890.....	564,774	40,600	8
1900.....	637,440	72,666	13
1910.....	687,409	49,969	8
1920.....	716,059	28,650	4
1930.....	676,127	-39,932	-6
1940.....	723,047	46,920	7
1950.....	674,440	-48,607	-7

¹ Source: United States census, 1950, for southern 32 counties of State: Alexander, Bond, Clay, Clinton, Crawford, Edwards, Effingham, Fayette, Jasper, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jefferson, Johnson, Lawrence, Marion, Massac, Monroe, Perry, Pope, Pulaski, Randolph, Richland, Saline, Union, Wabash, Washington, Wayne, White, Williamson.

Southern Illinois failed to show increases in density of population comparable to those in the State and the Nation during the first half of this century. During the past 50 years the density of Illinois increased 68.6 per square mile while that of the southern 32 counties made a gain of only 2.4 per square mile.

The national trend to urbanization is reflected in southern Illinois by the growth of cities with a population of 10,000 and over from 5 in 1930 to 7 in 1950 (table II). This growth of urban centers, however, is so slight as to indicate that a large percent of the migration from rural areas was to cities outside the southern 31 counties.

TABLE II.—Urban trend by size of cities, 1900-1950 ¹

Population	Number of towns, by decades					
	1900	1910	1920	1930	1940	1950
2,500 to 5,000.....	14	19	18	17	13	13
5,000 to 10,000.....	3	10	12	11	16	16
10,000 and over.....	1	1	4	5	5	7
Total.....	18	30	34	33	34	36

¹ Source: U. S. Bureau of the Census.

For over a half a century, coal has been of major importance to the economy of southern Illinois. The extreme fluctuations in population and income closely parallel the activity in the great coalfields of the area. Since the decline of mining starting in the early 1920's "nearly 3 out of every 4 miners (actually 72 percent) have been squeezed out of the industry."²

The decline in mine employment (table III) is attributable to two major developments: namely, loss of markets and technological advances. Oil and gas have to a great extent supplanted coal for home heating and industrial uses, and railroads have become almost entirely dieselized. The introduction of machines has greatly affected methods of production so that where formerly a miner could load 5 to 8 tons of coal a day, he is now able to load 20 to 40 tons. (One strip-mining machine presently used replaces 100 men and 500 mules.

² Malcolm Brown and John N. Webb, Seven Stranded Coal Towns, WPA Research Monograph XXIII, Government Printing Office, Washington, D. C., 1941.

TABLE III.—Number of employees in shipping mines and shipping strip mines in 16 southern Illinois counties, 1928-46

Year	Number of employees		Year	Number of employees	
	All shipping mines	Shipping strip mines		All shipping mines	Shipping strip mines
1928.....	28,486	678	1938.....	15,401	1,273
1929.....	26,660	697	1939.....	14,765	1,275
1930.....	23,410	1,223	1940.....	13,378	1,288
1931.....	22,712	1,680	1941.....	13,354	1,149
1932.....	19,539	1,046	1942.....	13,520	1,404
1933.....	18,104	955	1943.....	13,845	1,475
1934.....	18,409	1,133	1944.....	14,475	1,423
1935.....	17,167	1,280	1945.....	14,403	1,341
1936.....	16,874	1,196	1946.....	15,211	1,343
1937.....	15,987	1,321			

Source: Compiled from Annual Coal Reports, State Department of Mines and Minerals, Springfield, Ill.

The history of coal mining in southern Illinois points out clearly the dangers of an economy based on one industry.

Mention should also be made of fluorspar mining in Hardin County where 53 percent of the Nation's fluorspar is produced. Employment has recently dropped in this industry due to severe competition from recently developed Mexican spar deposits.

Agriculture

In addition to mining, farming has been an important element in the economic base of southern Illinois. A wide variety of soils are to be found in the area but generally it is of poor quality due to erosion, low water-holding capacity and deficiencies in nutrients and organic matter. This is partially because the glacier descended only about two-thirds of the way down Illinois, leaving southern Illinois without the rich layer of topsoil that was deposited in the upper part of the State. Some of these limitations can be improved, but only with considerable capital investment and skill. Many farms found in the area today are small (table IV). Income is lower and the proportion of part-time and subsistence farms is higher than in the rest of the State. Machinery is replacing farm-workers and is responsible for loss of agricultural jobs.^{3 4}

³ According to the Illinois State Employment Service, agricultural employment in 6 southern Illinois counties (Franklin, Jackson, Johnson, Perry, Union, and Williamson) dropped from 10,900 in August 1954 to 7,900 in August 1955.

⁴ According to the U. S. Census, agricultural employment in southern Illinois dropped from 61,507 in 1940 to 54,447 in 1950.

TABLE IV.—1950 economic classification of farms by value of products sold in 1949

Economic classification	Number of farms		Percent southern Illinois area to Nation
	Southern Illinois classification	Entire United States	
Commercial farms:			
Class I—production \$25,000 or more.....	646	105,513	0.612
Class II—production \$10,000 to \$24,999.....	3,538	386,124	.915
Class III—production \$5,000 to \$9,999.....	10,487	725,557	1.444
Class IV—production \$2,500 to \$4,999.....	16,540	882,322	1.873
Class V—production \$1,200 to \$2,499.....	19,286	895,889	2.153
Class VI—production \$250 to \$1,199 and exceeding outside income.....	15,796	707,723	2.231
Total commercial farms.....	66,293	3,703,128	1.789
Other farms:			
Part-time—production \$250 to \$1,199 and exceeded by outside income.....	12,535	642,118	1.953
Residential—production under \$250.....	16,916	1,032,366	1.637
Abnormal (institutional, etc.).....	88	4,550	.835
Total other farms.....	29,489	1,679,034	1.757
Total of all farms.....	95,782	5,382,162	1.781

Source: U. S. Census for Agriculture, 1950.

PRESENT CONDITIONS

The population of the southern 31 counties of Illinois stands at 1,009,785.⁵ Industries employing the greatest number of workers in 1950, ranked according to number employed, are manufacturing, wholesale and retail trade, and agriculture. This represents a decided change from 1940 (and is in line with national trends) when agriculture was first and manufacturing was fourth.

Unemployment in southern Illinois is estimated to be about 20 percent of the labor force. In the area including Franklin, Jackson, Johnson, Perry, Union, and Williamson Counties, the unemployment level reached 16.8 percent in August 1955.⁶ In some communities as high as 25 percent of the workers are unemployed.

Recruitment efforts of outside industrial concerns in southern Illinois were most intense in 1947 and 1948. Agents for construction material producers, steel mills, automobile manufacturers, and others circulated throughout this area hiring workers for jobs in Detroit, Chicago, Peoria, and Waukegan.

When laid off from jobs outside the area, workers returned to their homes in southern Illinois even though there were no job opportunities available. Many of the workers migrating to industrial centers outside the area consider southern Illinois their permanent residence and own their own homes here.

Certain characteristics of the people remaining in southern Illinois are most telling: Aging population, unemployment, low per-capita income, below average expenditure per pupil in the public schools, deficiency in number of health personnel, and lower than average retail sales, to mention a few of the typical indexes of a depressed area.

⁵ Source: U. S. Census, 1950. The 31 counties are: Alexander, Bond, Clay, Clinton, Edwards, Fayette, Franklin, Gallatin, Hamilton, Hardin, Jackson, Jefferson, Johnson, Lawrence, Madison, Marion, Massac, Monroe, Perry, Pope, Pulaski, Randolph, Richland, St. Clair, Saline, Union, Wabash, Washington, Wayne, White, and Williamson.

⁶ Source: Labor Market Trends, Illinois State Employment Service, September 1955.

These conditions were caused by the dependency of southern Illinois on one industry, coal, and the resulting migration of the educated, the trained, and the talented out of the area. These depressed conditions continue to exist because much of the remaining population is unable, because of both lack of skills and initiative, to develop an economic base to take the place of coal. With both human and financial resources leaving the area there is little on which to build. There is a reluctance on the part of the few with available investment capital, and inability on the part of the many, to develop the local industrial potential. Little faith in the possibilities of the area is evidenced by its citizens.

In addition, low-income areas with low property valuations result in inadequate municipal services and facilities which in turn discourage industry from locating there. Appearance of communities, shopping facilities, and recreation are also important to industrial development and must be considered by southern Illinois in its attempts to raise its economic level.

AREA PROGRAMS

The problem of increasing the per capita income and raising the living standards of the more than 1 million citizens of southern Illinois is a joint Federal, State, and local responsibility. Both social and economic conditions have been deteriorating over an extended period of time, intensifying the difficulty of reversing the downward trends.

Southern Illinois University

Many institutions in this section of the State are concerned with the urgent need for development of local resources. One of the most important of these is Southern Illinois University which is showing unique vision and unusual educational leadership through its various services to the area.

The newly established department of community development at SIU is concerned with the revitalization of community life through an intense program of study and action by local citizens.

This program is designed to stimulate interest in and knowledge of local problems, to develop local leadership, and to stimulate community action toward solving these problems. With the resources of the university available to supply the technical advice and leadership that are deficient in the area, communities can attack many of the substandard conditions under which they live.

Upon request of a town, the department of community development assists the citizenry in local self-analysis. Fourteen volunteer factfinding committees undertake basic research into all phases of community life: Government, health, recreation, industry, agriculture, beautification, trades and services, education, population, library services, community organizations, churches, social agencies, and history. Each committee presents a written report of its findings to weekly town meetings for public discussion.

On the basis of widespread knowledge of the basic facts of their community, people are motivated toward attempting to alleviate the undesirable conditions that exist locally.

The program is now underway in 11 towns in southern Illinois. Experience has proved that remarkable changes can result. One community has started a new school-construction program, remodeled its city hall, established a community recreation program, initiated farm demonstration programs, built a new tennis court, started a new municipal park, and improved the appearance of homes and the business district. Similar improvements can be noted in other towns where the program is in progress.

The relatively low level of experience, skills, and leadership ability is evidenced in these programs and progress has been slow. Accomplishments have been limited in the field of industrial development, emphasizing the magnitude of the problem and the necessity for outside agencies to complement the efforts of local communities.

Last year, the university established the small-business institute to train college students interested in managing small business or industries in southern Illinois, to provide technical advice to businessmen in the area and to carry on research into problems of small business. The local government center furnishes various aids to local citizens and officials in their attempts to improve city and county services and facilities.

The vocational-technical institute contributes an essential part of the area's development by providing opportunities for vocational training to unskilled workers and to new entrants into the labor market. Perhaps even more important is the institute's program of vocational rehabilitation of the unemployed. Although

mining is considered a skilled occupation, these skills are peculiar to that industry and make transfer to other jobs difficult. After training at VTI, the unemployed miner is better equipped to reenter the labor market with skills that are in demand such as plumbing, carpentering, and the mechanical arts.

VTI and the SIU agriculture department, in cooperation with Federal and State agencies, have established the forest service research center. Primary objectives of this project are to stimulate good forestry practices and carry on research into new industrial uses of the products of southern Illinois forests.

Another important phase of the university's program is the development of the agricultural potential of this area. Through demonstration test farms and the training of farmers, improved land-management practices are encouraged. In the field of agricultural research, much is being done to develop techniques and products which are consistent with the type of soil and size of farms in southern Illinois.

Other aids to the area

Southern Illinois, Inc., was established in 1950 to advance the general welfare of the area with special emphasis on the most acute need, industrial development. A considerable amount of effort by this group was put into the location of the several new industries in the area.

Officers of a number of labor organizations with the help of the university have formed the Area Labor Relations Council. Originally interested in promoting industrial development, it now serves as an interunion forum for discussion of common problems and settlement of jurisdictional disputes.

The Personnel Management Association meets regularly to discuss personnel problems, such as communications within the plant and unemployment compensation.

NEEDS OF AREA

The tremendous range of needs of any distressed area and the intensity of its problems make a brief discussion of solutions difficult. The present situation, however, indicates the immediate need for development of human and financial resources.

Since a low level of skills, leadership, and initiative remain in southern Illinois as a result of outmigrations and severe unemployment, educational programs are essential.

Public school education must raise its standards in such areas as expenditures per pupil, teachers' salaries, equipment and buildings, and vocational education related to industries already in the area. Consideration should also be given to the problem of the many segregated schools in the area. This old pattern of behavior is continued even in Illinois, where segregation is illegal and is non-existent in the rest of the State.

Programs should be expanded for vocational rehabilitation of the unemployed and for training of young people in managerial skills. Other adult education activities should be expanded to develop new leadership for community revitalization.

Since the population trend has been toward the larger cities for employment, it is of great importance that southern Illinois consider developing larger urban areas to which the rural job seekers can migrate. These centers would in turn attract additional industries because of their diversified labor force.

Consideration should also be given to the diversification of the industries themselves to insure a resilient economy. Nashua, N. H., for example, has replaced Textron Mills with 23 separate companies operating in the former Textron factories and employing a considerably larger number of workers.⁷

The only public building in southern Illinois of any consequence since 1945 has been in schools and highways and that is largely the result of State governmental policy. Indeed, the State of Illinois has done all within its fiscal capacity to aid public building in the area.

Nothing short of substantial grants-in-aid from both the State and Federal Governments can rehabilitate the necessities to urban living and extend them to the needed size and capacity. Without such rehabilitation the area cannot hope for rejuvenation; with it, the entire elan of the community will be raised.

Grants-in-aid are imperative for such facilities and services as urban roads and streets, public buildings, sewage and drainage systems, sidewalks, parks and playgrounds, and water systems (including city reservoirs for storage of water.)

⁷ The Wall Street Journal, New England: Former Textile Mills and Workers Shift to Electronics, April 7, 1954, p. 1.

Another public works project needed in the area is water conservation, which would serve such needs as industrial water supplies, flood control, irrigation for truck farming and recreational facilities.

The Federal Government should proceed with plans for the Kaskaskia River Basin project, initial studies for which were completed in 1945.

Other Federal assistance could be given to aid the establishment of relocated plants in southern Illinois and loans for plant construction.

CONCLUSIONS

That southern Illinois is a depressed area there can be no doubt, but this should not obscure the promise that the area has for eliminating its most pressing ills. The chief cause of this depression in the midst of national prosperity has already diminished in its intensity. The mines have been mechanized, marginal pits have been abandoned, and the coal market somewhat stabilized. There seems to be a good prospect for coal's being a steady, rather than a disruptive influence on the future economy of the area.

Widespread physical deterioration of the social plant and a similar erosion of human resources are the twin-headed monster that must be slain before the area can reestablish itself.

A facelifting of a part of the social plant will encourage a similar change in the human resource. A new street, with sidewalks, curbs, and gutter, will stimulate pride of the residents on the entire block. The public funds expended on these street improvements will help the downtown shopping district and generally intensify economic activity in the community.

Pride in the physical character of the community, and especially in a redone and expanded social plant, can do much to check the human erosion in southern Illinois. A bedraggled urban environment neither encourages people to stay in the area nor stimulates people to come into it. And southern Illinois is bedraggled. To cure that, with public works, is one of the area's pressing necessities.

HARDIN COUNTY, ILL., IS AN AREA IN WHICH THERE IS A PREDOMINATION OF LOW-INCOME FAMILIES

J. Blecheisen, Rosiclare Community Development Association, Rosiclare, Ill.

Hardin County, Ill., is an area of declining economy, ebbing population, and thinning out of employment opportunities for its youth, with consequential rise in unemployment and unusually high ratio (in relation to population) of need for general assistance to keep the underprivileged fed and housed.

Hardin County is part of a larger area of southern Illinois which appears to suffer from the same kind of economic debility—Jackson, Williamson, Saline, Gallatin, Union, Pope, Johnson, Alexander, Pulaski, and Massac. These counties, including Hardin, have depended for their economic mainstay on agriculture, coal, and fluorspar. Most of the counties are affected adversely by the declining importance of coal (and exhaustion of coal deposits) in the field of power and fuel, and the increasing competition of oil and gas; the agricultural lands have become eroded and exhausted and are no longer significantly usable or income-producing agricultural lands.

Contrariwise, however, fluorspar is in greater demand today than ever before and it has a more important relationship to our economy than before—but nonetheless Hardin County, which is America's primary source of fluorspar, having produced over the years more than 50 percent of the total American production, is currently suffering economically—this suffering has come about because of the competition and increasing importation of foreign fluorspar and the declining prices which such competition has brought about. We have the strange situation in Hardin County, wherein we have a product of great economic importance to America and yet we are not able to engage in its full production, with all of the advantages and wealth-producing effects which would ensue from such production, directly because of the crippled domestic market for fluorspar brought about by foreign imports.

The Rosiclare community development program (under the aegis of the area development section of Southern Illinois University, Carbondale, Ill.) was launched in the fall of 1954 to deal with the economic collapse of Hardin County and to take such steps as seemed possible to rehabilitate our economy, and to prevent Hardin County from becoming an economic no-man's land—a result which is sure to come if this effort is not successful in rehabilitating Hardin County's economy.

Hardin County has a population of approximately 7,500 made up of about 2,200 families. There are three municipal areas—Rosiclare, with a population of 2,000; Elizabethtown and Cave in Rock, each with a population of 500 people. The remaining population of 4,500 live out in the rural areas of the county. The county has approximately 117,000 acres in geographical area. The only nonfarm economic activity in Hardin County is fluorspar mining.

The value of all farm products sold as of the last census in Hardin County totaled \$800,000—\$100,000 in crop products, \$680,000 in livestock sales, and \$20,000 in dairy products. Forest products annual sales totaled \$20,000 for the county.

As an agricultural area Hardin County is classified by the United States Department of Agriculture as being an area in the last and lowest fifth income group of agricultural income.

Hardin County is classified by the Department of Labor as a labor surplus area—IV-B.

Fluorspar mining sales in 1954 totaled approximately \$5,500,000, a reduction of \$4 million from total sales of \$9,500,000 in 1952.

Assessed valuation of property for local tax purposes in Hardin County decreased from \$13,400,000 in 1953 to \$12,400,000 in 1955—a decrease of \$1 million in assessed valuations.

The total public-assistance program in Hardin County (comprised of general assistance, old-age assistance, aid for dependent children, blind assistance, and disability assistance) averaged in January 1955, 143 per 1,000 population, while the so-called downstate average for Illinois was 35 per 1,000. In September 1955, the average for Hardin County was 90 per 1,000 population, while the downstate average for Illinois was 30 per 1,000—it is quite apparent that Hardin County is suffering from an aggravated need for public assistance as against the downstate Illinois average. Hardin County's general assistance ratio in September 1955 was three times that of the Illinois downstate average.

COMMUNITY DEVELOPMENT PROGRAM

INDUSTRY COMMITTEE REPORT

Rosiclare-Elizabethtown, Hardin County, Ill.

COMMITTEE MEMBERS

Anderson, Ollie	Hermann, Bernie
Andrew, Bennett	Humm, Joe
Austin, Omar R.	Jerrells, Esdon
Bailie, Harold E.	Jones, Wesley
Belt, Wendell	Koch, Roy
Benson, R. F.	Lamar, Bennie
Blecheisen, Jacob (chairman)	Lanham, J. D.
Brecke, E. A.	Ledbetter, Chas. D.
Browning, R. A. (secretary)	Marshall, Marvin M.
Camp, Charles	Parkinson, Earl
Cochran, Otto	Roach, Benjamin A.
Cowsert, Clyde	Robertson, I. V.
Cronk, A. H.	Russell, George D.
Donithan, Loren	Skeels, W. S.
Dutton, Lowell	Spees, Durward C.
Gilpin, Dr. Chas. A.	Suits, Charles, Jr.
Goolsby, Wayne	Taylor, Curtis
Hale, Alvin	Threlkeld, William
Haman, Miles	Trewartha, J. G.
Herl, S. E., Sr.	Watson, Alva
Herman, Hughes	Young, Jesse M.

Van H. Seagraves, adviser (Southern Illinois University)

SCHEDULE OF MEETINGS HELD BY THE COMMITTEE

November 3, 1954: Committee organized; arranged for distribution of current literature on the subject of industrial development of an area.

November 9, 1954: Eight subcommittees appointed to work on and develop material on our area (Hardin County) for overall committee study:

1. Committee on the availability of materials in the area (raw materials and processed materials) of the minerals type.

2. Committee on the availability of materials in the area (raw materials and processed materials) of the nonminerals type (agricultural and forest products).
 3. Committee on the availability and extent of the labor force in our area and its skills.
 4. Committee on the availability of sites suitable for industrial enterprises, building structures, storage, and warehouse facilities; and also extent of financial and banking services available to new enterprises.
 5. Committee on the availability in the area of industrial fuels (coal, oil, and gas), transportation facilities, electrical power and energy, and industrial water.
 6. Committee to study housing facilities, recreation facilities, climate and temperature of the area, as they may be important to industry.
 7. Committee to study laws and regulations as they may affect industrial enterprises, on a State level, county level, and municipal level (income taxes, workmen's compensation laws, nuisance laws, etc.)
 8. Committee to study the nearby buying markets with the thought of developing local industries in the area to service and supply these nearby buying markets.
- November 23, 1954: Among other things, arranged for invitations to attend our committee meetings of various outside experts in the field of the committee's work, to give us guidance and advice.
- December 7, 1954: Jack M. Smith, traveling freight agent of the Illinois Central Railroad, attended committee meeting to advise on how the Illinois Central Railroad could help in our work, etc., and to offer the continuing help of the Illinois Central Railroad; several of the subcommittees indicated generally how they were coming along with their work.
- December 21, 1954: Among other things, committee discussed the pending project of the statewide REA Electric Cooperative which is planning a power station in southern Illinois; possible site location in Hardin County discussed. (Communications have been had with E. A. Becker, executive secretary of the Statewide Electric Cooperative, at Springfield, Ill.)
- January 4, 1955: United States forest representative, E. N. Lee, and Illinois State forest representative, E. W. Kunze, attended committee meeting and discussed "forest exploitation" as part of our economy.
- January 18, 1955: Seven representatives from the offices of the United States Department of Commerce, Department of Labor, and Small Business Administration, and Illinois Department of Labor and Southern Illinois University attended our meeting to consider with us how the various governmental agencies could be helpful in our work; they indicated their willingness to help in every way possible.
- February 1, 1955: Subcommittee reports discussed; went over proposed outline of committee report; small committee appointed to draft report and prepare to submit it to the public meeting on February 14, 1955.

INTRODUCTION

The industry committee is made up of Rosiclare-Elizabethtown personnel; however, because it represents an integrated economy, all references and studies generally are to the area of Hardin County.

The economic well-being of an area is determined by the extent of its activities in the fields of (a) agriculture, including livestock, (b) forestry, (c) mining, including quarrying, (d) recreational facilities (meaning those which attract outside tourists), and (e) manufacturing.

Hardin County presently is supported mainly by agricultural and livestock activities (mostly on a part-time or subsistence level), some forestry exploitation (principally by the U. S. Forest Service), and fluspar mining, including quarrying; there is little by way of recreational facilities, and there is no manufacturing industry.

All of us readily understand that a healthy economic unit is one where job opportunities equal or exceed job applicants, and also that job opportunities must continue to grow to keep pace with the growing population—when job applicants exceed job opportunities, we have unemployment and a declining economy. In the final analysis, therefore, the ultimate objectives of our committee's work would be to launch a program of study and of action which would eventually bring into balance and keep in balance job opportunities with job applicants.

The industry committee undertook to survey and study two basic problems:

I. Whether it is possible (a) to revitalize and regenerate the existing segments of our economy (agriculture, forestry, mining, and recreational facilities) so that they will flourish as more dynamic and growing parts of our local economy; (b) to broaden the economic base of Hardin County, beyond the segments mentioned above, by creating and adding a new segment to our economy, that is, by developing industrial activities (manufacturing establishments) in our area; and

II. If it is found possible to augment and regenerate our existing economy, and to add to it a significant segment of industrial establishments, then to determine the methods and means by which this might be done and the time which it would take to do it.

I. WHAT DOES OUR AREA HAVE?

In order to determine whether it would be possible to strengthen and rebuild our existing economy, and to add to it via manufacturing establishments (factories):

(a) The committee proceeded, by subcommittee studies, to analyze and to try to understand the assets or tools with which the area is presently endowed, and upon which, by community effort, we might be able to build a better and sounder economy for our area; and

(b) The committee proceeded, additionally, to make an analysis of the present structure of Hardin County's economy.

A brief summary of the 10 studies which were made by the various subcommittees of our industry committee follows:

1. OUR AREA: ITS PHYSICAL ATTRIBUTES, GEOGRAPHICAL LOCATION, SIZE, CLIMATE, TOPOGRAPHY, RIVERS

The county has an area of 117,000 acres, and is a part of the Shawnee Hills physiographic section which stretches across southern Illinois and is popularly known as the Illinois Ozarks.

The surface of the county is one of strong relief. Its highest point, on the north line of the county near the crest of High Knob, is 900 feet above sea level, and its lowest point, on the Ohio River at the southwest corner of the county, is between 300 and 320 feet above sea level. The total relief, therefore, is more than 580 but less than 600 feet.

The surface is dissected by numerous creeks and their tributaries. In almost every direction from almost any point, hills and ridges alternate with valleys. So thoroughly is the surface of the upland dissected that fully nine-tenth of the surface has distinct slope. Of the 170 square miles in the county only 8.4 percent is classed as level land, less than any other county in the State. Narrow flats, less than a mile wide, border the Ohio River near the southwest and southeast corners of the county, and there are lesser flats along the lower courses of some of the larger creeks.

Northwest and west of Cave-in-Rock is a large area of limestone topography having a comparatively low relief.

The annual precipitation for the county is normally between 40 and 46 inches. Most of the precipitation comes in the form of rain.

April 15 is the average date of the last killing frost in most of southern Illinois while the first killing frost occurs about October 20 or later. The growing season is normally between 180 and 200 days. The average number of days without killing frost in Hardin County is 190 to 200.

2. ACCESSIBILITY TO OUR AREA (TRANSPORTATION): RAILROADS, FREIGHT, AND PASSENGER; HIGHWAYS AND MOTORTRUCKS, INCLUDING PASSENGER BUSES; RIVER FACILITIES, INCLUDING BARGES; AIR; TERMINAL FACILITIES FOR EACH TYPE OF TRANSPORTATION

The Hardin County area is now served by the Illinois Central Railroads; present service being over a branch line which connects to the main line at Reevesville. The Illinois Central's main line at that point serves the south and north and connects with most of the other main-line railroads for points not served by the Illinois Central.

We have truck service by two major trucklines, Bonifield Bros., and the Hayes Freight Lines, with another major truckline being located at Harrisburg, which could serve the area in the future. We are also blessed with a good number of

locally owned trucking companies with facilities for interstate and intrastate service.

The county is not regularly served by barge lines at this time, except for ore shipments by the mining companies. We do, however, have sites that would be suitable for barge-line service if required. Regular barge lines pass our area every day, and the Ohio River carries more tonnage than passes through the Panama Canal.

3. UTILITIES AVAILABLE TO OUR AREA, INCLUDING INDUSTRIAL FUELS, INDUSTRIAL WATER, AND INDUSTRIAL WASTE FACILITIES: ELECTRICITY; GAS; TELEPHONE AND TELEGRAPH; COAL; OIL

Power.—The Hardin County area is served by the Southeastern Illinois Electric Co-op (REA). The REA has available to their facilities as a source of supply one 230,000-volt line and one 138,000-volt line, and serves Hardin County with one 69,000-volt line which is to be tied in later to the Joppa plant with an extension of the present 69,000-volt line. Industrial rates varying according to the mean monthly demand.

Telegraph.—We are serviced for telegraph service from three sources, by the Illinois Central Railroad in the day and from Harrisburg and Paduach at night by means of telephone.

Telephone.—Hardin County is served by the Hardin County Telephone Co., which is a home-owned business. The Hardin County Telephone Co., now has underway a large modernization and expansion program to improve its service within the county. Plans for this year are to convert two towns to dial service as follows: Elizabethtown in February and Cave-in-Rock in July. Also a new toll line is to be built this year to Harrisburg to increase and improve long-distance service.

Water.—Local: The present water service is rendered by the Rosiclare Waterworks Department which supplies both Rosiclare and Elizabethtown. Source of supply being the Ohio River, by means of a filtration plant at Rosiclare.

Industrial: Industrial water could be obtained from the above source (Rosiclare Waterworks Department) or by drawing directly from the river supply, and could also be obtained possibly from the local mining companies. Tests as to chemical-treatment requirements show that our water from the river is on the average with the average water source, with the water from the mines requiring slightly more treatment.

Coal.—The Hardin County area lies adjacent to the southern Illinois coalfields, and has available to it also the coal produced in the State of Kentucky, by means of barge transportation. Coal from the major Illinois coalfields is shipped by rail and truck.

Fuel oil.—Fuel oil is available by both rail and truck transportation in all standard grades. The major source of supply being the Wood River refinery and the bulk-storage facilities at Paducah, Ky.

Natural gas.—Natural gas is not at this time available to the Hardin County area due to the cost of pipeline construction to serve the area. The nearest source is approximately 30 miles away. However, two of the Nation's major pipelines cross the tip of southern Illinois.

Liquefied petroleum (butane).—Liquid gas is available throughout the area by local distributors in any reasonable quantity.

4. SITES AVAILABLE FOR FACTORY STRUCTURES: SIZE, LOCATION, NEARNESS TO EXISTING TRANSPORTATION FACILITIES

Hardin County has a number of sites suitable for industrial purposes. Some of these sites being of such location as to be available to existing railroad facilities, and others requiring extensions of the present rail facilities. Other sites within the county are located along the shores of the Ohio River, suitable for river transportation.

Some of these sites being listed are as follows:

(a) Aluminum Company of America property just west of the Rosiclare Lead and Fluospar Mining Co.

(b) Herl farm, consisting of approximately 500 acres, adjacent to the river and also Highway 146.

(c) Former Hillside Mining Co. property, including an old brick building that could be converted for use.

In addition to the above, there are several sites between Elizabethtown and Cave-in-Rock which would be suitable for various types of industry.

5. OUR LIVING FACILITIES: HOUSES, RECREATION, AND EDUCATION INCLUDING CULTURAL OPPORTUNITIES, CHURCHES AND ORGANIZATIONS, HOSPITAL AND MEDICAL FACILITIES

Housing.—Housing facilities, as far as incoming industry is concerned, are not adequate if many employees are imported; 71 percent of the existing homes in the Rosiclare-Elizabethtown area have running water, 51 percent have bathing facilities, 32 percent have telephones, and 94 percent are served with electrical energy. Most of the modern homes are owner occupied, very few being for rent. There is also the Federal Government project of Sparsdale at Rosiclare.

Churches and organizations.—The following churches are found in this area:

Methodist	Free Pentecostal
First Baptist	Apostolic
Church of Christ	First Christian
Church of God	General Baptist
Catholic	Stone Church (nondenominational)

The community has 16 active organizations ranging in membership from 10 to 270. These include the usual fraternal organizations plus the Boy Scouts and Girl Scouts, sportsmen clubs, etc. It would appear we have more church denominations and organizations than the usual community of this size.

Recreation and education.—Recreational facilities are limited to an extent, as hunting, fishing and boating. No golf course is available although a group has started operation on one just outside the corporate limits of Rosiclare. Movies, dances by organizations, and a public library are available. Both Elizabethtown and Rosiclare have parks along the Ohio River for the use of picnickers and those just wishing to relax; there is also the Cave-in-Rock State Park. Playground facilities for the use of children are available at all the parks.

Television reception in the area is steadily being improved by new station facilities and power increases in those already in service.

Rosiclare and Cave-in-Rock have both grade and high schools. Elizabethtown has only a grade school, its prospective high-school students attending at Rosiclare. Adult educational classes are available at Rosiclare through an extension program of Southern Illinois University. Several business colleges and Southern Illinois University are within a reasonable radius of our area.

Hospital and medical facilities.—One 17-bed hospital is available for Hardin County and the immediate outlying area. This is located at Rosiclare and operates as a nonprofit corporation. Plans are now being made as to the possibility of our raising the necessary funds for a new 25-bed community hospital.

Good medical facilities are available in the area. Two doctors are located in Rosiclare taking care of the Rosiclare-Elizabethtown area as well as portion of Pope County. One doctor is available in the Cave-in-Rock area. Surgeons and orthopedic surgeons as well as other specialists are available within a 100-mile radius when needed.

6. OUR GOVERNMENT AND TAX STRUCTURE: LAWS AFFECTING TAXES (STATE AND LOCAL), LAWS AFFECTING INDUSTRIAL OPERATIONS (STATE AND LOCAL), LAWS AFFECTING LABOR-MANAGEMENT RELATIONS, LAWS AFFECTING INDUSTRIAL NUISANCES, ATTITUDES OF GOVERNMENTAL OFFICIALS AND COMMUNITY TO INDUSTRY

Laws affecting taxes

Income tax.—There is no State corporate or individual income-tax law in Illinois. There is a corporate franchise tax and a corporate organization and qualification fee applicable to both foreign and domestic corporations at a moderate rate.

Sales tax.—There is a 2 percent State occupational tax on retail sales only with an exemption in the case of interstate sales.

Property tax.—There is a tax at the local level but no State tax. Both real estate and personal property are such with rates in the county set at 63 cents per \$100 valuation. Assessing rates in the county are held as near 50 percent of fair-market value as possible. There are outstanding bonds in both high-school and non-high-school districts with bonding returns being reasonable. Total property tax, for example, in the corporation of Rosiclare would be \$2.82½ per \$100 valuation.

Unemployment compensation.—Rates vary from 0.25 to 2.7 percent based on experience with the State average of 0.80 percent. This is below the average of most other States.

As a result of a recent survey made by the Council of State Governments, Illinois is ranked third lowest of all the States with a combined State and local tax rate of 6.84 percent. This low rate may have a decided effect on the competitive position of a business.

Laws other than tax laws affecting industry

Sanitation and pollution laws.—State regulations as to pollution are far from being harsh to industry. The streams of the State are not classified nor are they in the process of being classified. This is a problem that has attracted widespread interest and it is only fair to assume that a closer regulation will become effective in the near future. Illinois does have controls affecting the sources of pollution and new treating plant approval is required if the formation of a sanitary district is involved. The practice has been to treat each problem separately considering stream condition, usage, and type of affluent in deciding each case.

Our State sanitary laws are comparable with most other States being no better or no worse than the average. There are no sanitation or pollution laws on a county level, and only one at the city level—it being rather liberal.

Laws affecting labor relations.—Illinois does have what is known as the "little Wagner Act" which has not been used to date in this area.

There is also a State code regulating the employment of minors and women which is quite comparable to regulations in other States.

There is a State code pertaining to the health and safety of manufacturing personnel which is comparable to most State regulations. There is a separate code regulating the mining industry.

There are no regulations on a city or county level governing labor-management relations.

Governmental officials and community attitude toward industry.—It is assumed that we all would like to see industry come to our area to take up the slack in the present unemployment and put us on a sound economic basis.

7. OUR PEOPLE: CHARACTERISTICS, NUMBER, LABOR FORCE, SKILLS (INCLUDING SUPERVISORY SKILLS), ATTITUDE AND WILLINGNESS TO COOPERATE, ORIENTATION OF PEOPLE TO INDUSTRIAL DEVELOPMENT, LABOR-MANAGEMENT RELATIONSHIPS

Characteristics.—It appears that we are the home-loving family type, 100 percent native. Percentagewise we have only about one-third as many single people as does the State as a whole. Our divorces and separation rate is about the same as the State average. Emotionally we seem to be adjusted pretty well. We also would seem to be the industrious kind comparing quite favorably with other communities.

Labor force.—Our male labor force in the Hardin County area is approximately 1,900. Our female labor force in the same area is 300. About 30 percent of this total is now unemployed. The potential labor pool would be considerably larger than indicated if one considers the outlying areas and Kentucky.

According to surveys made, we appear to be short of supervisory skills as well as technical people. These would have to be imported from outside by industry as has been practiced in the past, until we have developed fully adequate vocational training facilities in the area to train our people in these skills.

We seem to have a sizable group of women who seek employment. It appears we have the labor to staff a light industry.

Labor-management relations in our area appear to be good.

8. FINANCIAL RESOURCES AND BANKING FACILITIES: EXTENT OF SUCH RESOURCES IN THE AREA, ATTITUDE OF BANK OFFICIALS TO INDUSTRIAL DEVELOPMENT

Hardin County is served by three banks, namely, State Bank of Rosiclare, First State Bank of Elizabethtown, and Hardin County State Bank of Cave-in-Rock. An aggregate of their resources and liabilities are listed below (as of December 31, 1954):

RESOURCES

Cash and due from banks.....	\$1, 241, 429
U. S. Government obligations.....	2, 202, 638
Other stocks and bonds.....	3, 675
Loans and discounts.....	587, 745
Bank building, furnishing and fixtures.....	8, 750
Other resources.....	8, 710
Total.....	4, 052, 947

LIABILITIES

Capital.....	120, 000
Surplus.....	105, 000
Undivided profits.....	94, 605
Reserves.....	14, 654
Deposits.....	3, 704, 826
Other liabilities.....	13, 862
Total.....	4, 052, 947

Due to increased business activity and the stabilizing influence on the economy which might come about by industrialization, it is assumed that incoming industry would be welcomed by our banking officials.

9. NATURAL RESOURCES : MINERAL RESOURCES, AGRICULTURAL AND FORESTRY RESOURCES

Mineral resources.—Metallic minerals have a wide distribution in the county and are as follows: Zinc, lead, cadmium, and germanium. Due to their association with the fluorspar deposits, they are now recovered only as byproducts.

Nonmetallic minerals include fluorspar, limestone, sandstone, sand and gravel, and cement rock. All these minerals are widely distributed over the county. Fluorspar is the principal economy mineral of the area and all commercial grades are produced in the county. Large modern plants producing fluorspar concentrates are operating in the area.

Limestone is available in several areas in the county and in unlimited quantities. This is produced both as agricultural lime and aggregate.

Sandstone, sand and gravel, and cement rock are available throughout the area; however, the production of these materials depends on more active construction programs in the area.

Forest resources.—45,000 acres of a total of 117,000 acres of Hardin County are classed as forest area; 28,000 acres of these forests are private lands, and 17,000 acres are in Federal forest ownership.

The types of timber consist of about 66 percent of various species of oak and the remaining 34 percent consists of hickory, poplar, gum, walnut, soft maple, sycamore, land maple, beech, black locust, cedar, cypress, and other species.

Agricultural resources.—Hardin County has a total of 52,000 acres of farmland, of which present statistics show 12,000 acres under cultivation and 20,000 acres in pasture land, and 20,000 in idle "waste" lands.

The following crops and their averages are reported as follows :

	Acres
Corn.....	7, 000
Small grain (oats, wheat, etc.).....	250
Soybeans (grain and hay).....	500
Hay crops.....	4, 000
Popcorn.....	250

Livestock raised or fed in Hardin County consists of beef cattle, hogs, sheep, and some poultry. Late figures show 243 head of cattle on feed and 177 sows or gilts farrowed.

The county has an active conservation program consisting largely of soil-conservation practices such as contour farming, improved pasture seeding, farm drainage, farm ponds, and cover crops. The conservation program is advocating pasture improvement, which is increasing the number of cattle and sheep being raised in the area.

10. "BUYING MARKETS" WITHIN AN APPROXIMATE RADIUS OF 75 MILES OF HARDIN COUNTY

Within a radius of approximately 75 miles of Hardin County, there are almost 300 manufacturing establishments and various kinds of businesses which buy a large volume of different kinds of raw materials and semiprocessed material and fully processed material which go into their end products. Among the materials which they buy we may find items which could be provided to them or made for them, by new local manufacturing establishments in this area. A directory of these buying establishments has been made up, and a list of the materials which they purchase is being compiled. When such list is finished, it will represent the potential products which local capital might be interested in setting up locally to produce and sell. The problems which one usually has in trying to establish a new business are what to make, is there a market or need for it, and where to sell it. This directory will answer all three questions.

Having detailed in a rather brief way the "assets" or "tools" which we have, we now turn to a summary review of the present structure of Hardin County's economy, as follows:

Hardin County has a population of approximately 7,500 persons, grouped into 2,200 families. We have a labor force of approximately 2,200; the labor force represents those persons, male or female, who are able to work and are available for work; approximately 850 of our labor force live in the rural or farm areas of Hardin County and the remaining 1,350 live in our urban or nonfarm areas, such as Rosiclare, Elizabethtown, and Cave-in-Rock.

Hardin County is currently classified by the United States Department of Labor as a group 4-B area, an area of very substantial labor surplus.

According to latest census—of 117,000 acres of land making up Hardin County, usage is as follows: 45,000 in forest land; 52,000 in farmland; and 20,000 in urban areas and roads and highways.

The current going economy divides itself into the following five categories of wealth-producing activities:¹

(1) *Agriculture*.—There are about 650 farms in Hardin County, 300 of them being commercial farms (farms having annual sales of \$1,200 or more); the other 350 farms are mainly part-time farms or are used for dwelling purposes only; total farm acreage about 52,000. Ten percent of the farms are tenant operated as against owner operation. The value of all farm products sold in the last census showed \$800,000 as total sales—\$100,000 in crop sales; \$680,000 in livestock sales and \$20,000 in dairy product sales; and like census showed somewhat over 6,000 head of cattle and calves, along with over 6,000 hogs and pigs stocked on farms in our area. In our farm area, it is plain that livestock represents the most important economic phase of Hardin County farming.

(2) *Forestry*.—Hardin County forest or woodland acreage is approximately 45,000 acres; 28,000 acres owned privately and 17,000 in the Federal forest reserve. Forests normally support two types of wood-using industries:

(a) Primary users, that is, sawmills who produce lumber as such, for sale.

(b) Secondary users, that is, end users of lumber, as boxmakers, furniture makers, fixture makers, etc.—these products are usually marketed beyond the area where the forest wood is grown.

We have no firmly and strongly established sawmills and no regularly established market for our forest products. The only consistent kind of forest product exploitation which is going on in the Hardin County area is that conducted by the Federal forest reserve. According to the latest census figures available, about 45 persons were gainfully employed in forestry. Forest-product sales in 1954 were about \$20,000, total for the county.

¹ There are not included here the familiar supplementary activities of retail and service establishments, of which there are about 100 in Hardin County, as these types of enterprises are not normally considered wealth-producing activities; rather, they usually live or wither depending upon the strength and vitality of the 5 wealth-producing activities enumerated herein.

(3) *Mining.*—The mining of fluorspar is by far the most important mining activity in Hardin County. In 1952 the fluorspar industry employed approximately 1,200 people, while today the figure seems to be in the neighborhood of 700. The fluorspar industry, locally as well as countrywide, is in a depressed condition because, it is believed, of the increasingly growing entry into our market of imported foreign low-cost fluorspar. To illustrate, import of fluorspar which went into our domestic commercial market in 1946, represented approximately 10 percent of the fluorspar consumed; in 1950, it represented 38 percent; and in 1954, it represented 47 percent.

Of the total fluorspar produced in the United States during the last 75 years, Hardin County produced 50 percent of it; in recent years it has produced annually somewhat over 50 percent of the total annual production of the United States.

Produced in year—	Tons	Value of sales
1949.....	120,000	\$4,600,000
1950.....	150,000	6,100,000
1951.....	200,000	9,300,000
1952.....	190,000	9,500,000
1953.....	165,000	8,500,000
1954.....		

Fifty percent of the total fluorspar consumed in the United States goes into the steel industry; 40 percent goes into hydrofluoric acid, and 10 percent goes to glass and other users.

Fluorspar has been the mainstay of Hardin County's economy for over 50 years; today it still represents the most important part of our local economy; there are 15 fluorspar mining companies in the area.

Lead and zinc are byproducts in fluorspar production, and the mining of lead and zinc does not represent a separate independent economic activity.

In quarrying, limestone is the principal product. There are 4 companies in the area engaged in this business, who normally employ about 30 to 40 persons and whose total annual sales are in the neighborhood of \$250,000 to \$300,000. Quarrying is a small but steady part of the going economy of Hardin County.

(4) *Recreational facilities (meaning those of a commercially wealth producing nature).*—Recreation, in recent years, has moved into the realm of big business in the United States and offers many possibilities for profitable commercial enterprise. We apparently have practically no employment in Hardin County in this area of possible economic activity and no private investment in it. There is an economic as well as an esthetic importance in public-recreational facilities; tourist expenditures are sometimes the lifeblood of a community. Hardin County has the physical facilities such as hills, forests, streams, lakes, rivers, climate, etc., out of which public recreational facilities may be molded.

(5) *Manufacturing.*—We have no industrial manufacturing enterprises here. This is unfortunate for our area. But happily it is not without hope, as we are now living in an era of a vastly growing industrial economy in our country, and there is a distinct trend toward decentralization of industrial plants to the central and middle sections of our country, into communities which are suffering from the ebbing wash of a declining local economy. There is today a strikingly renewed interest in the impact upon a locality of new industrial payroll dollars. An industrial dollar is not concerned with its parent—it can be of an outside ownership, or a factory of local origin, financially controlled and operated by local people.

Hence, based upon its study of what the area has by way of assets, and also by way of an existing going economy—it is the committee's view, and it so recommends to the community, that the question posed in problem I (p. 5 hereof) be answered with an unqualified "yes":² it is possible to strengthen and rebuild our existing economy and to broaden our economic base by adding manufacturing establishments to it, because—

² A possible answer by the committee might have been in the negative—that is, to permit a continuing outmigration of our people who would leave here at a rate equal to the rate of our declining economy, and this in due course would result in a ghost town completely abandoned. The committee is fully satisfied that such a course is unthinkable; on the contrary it proposes a program of rehabilitation which will lead to a healthy, expanding, and dynamic economy in Hardin County.

(1) We have a normal and robust complement of developable resources in the area, of materials, climate, transportation, utilities, etc.; and,

(2) We have, more importantly and more significantly, a citizenry of wholesome farsighted people, loyal and devoted to the community, who are desirous of rebuilding themselves and their community by the personal application of work and effort, guided by an intellectual understanding of the goals we seek to attain, and the difficulties we are likely to encounter and which must be resolved for the attainment of our objectives.

In a recent study of southern Illinois made by a firm of professional consulting economists, for the information of the Governor of Illinois, these economists found that "The greatest asset of this area is its people—those who are here now and those who wish they could come back."

II. WHAT MUST WE DO? HOW LONG WILL IT TAKE?

Having determined that it is possible to strengthen our existing economy and to add to it an economic segment of manufacturing—the committee proposes for its continuing study, and subsequent detailed action projects, the following items:

(1) *As to agriculture, including livestock.*—To consider the formation among the farmers of a farmer's cooperative, with employment of a paid executive director, part time or full time, to work with farm owners and existing governmental farm agencies—to bring about a more realistic and commercially tenable farm and livestock economy by attempting to develop in a systematic way commercial outlets for our farm products, including livestock, and exploiting new and other farm products; and to determine whether the future development of our farms should continue upward in the direction of commercial livestock raising, with gradually lesser emphasis on commercial crop farming.

(2) *As to forestry.*—To consider ways and means of bringing about the adoption by woodland owners of a long range forest-management plan, including therein Christmas tree forestry; to consider the creation and development of a full time, commercially established sawmill industry in the area, even though it be on a small basis, which would actively seek to buy local forest trees for cutting and resale to lumberyard wholesalers or to end users of lumber; to consider the possibility of creating in the area a local woodworking establishment which would use our local lumber in the production of consumer-use products, as boxes, crates, wooden toys, etc.; and also to consider the formation of a woodland owner's cooperative, with a paid executive director, either part time or full time, whose job it would be to actively guide and help woodland owners in the development of a commercial forest-products industry in the area.

(3) *As to mining and quarrying.*—As to fluorspar, to consider how and in what way local fluorspar mining can be strengthened, long range; as to the immediate, and to help out in the present economic depressed condition of the fluorspar industry, to explore the possibility and the wisdom of controlling foreign imports through adequate tariff legislation, and to pursue the matter of Government stockpiling of fluorspar of domestic origin. (Both of these avenues—tariff relief and Government stockpiling—are presently being pursued by the independent fluorspar producers in the area.)

As to quarrying, to consider how and in what way the quarries in the area, whose product is principally limestone, can extend their buying markets, so as to get away from the retarding effect of their products being considered place materials—that is, materials which normally are not shipped much beyond the area in which they are produced.

(4) *As to commercial recreational facilities (meaning those facilities which will attract outside tourists).*—To consider the development of our forest areas, and other land areas, for outdoor recreational purposes, and also the development of our river area for boating, fishing, and swimming; and to consider a museum type of display of fluorspar and its end-use products—so that in the aggregate we might have significant public commercial recreational facilities which would be wealth producing to the area.

(5) *As to manufacturing.*—To give Hardin County a more rounded-out economic base beyond that which we now have, we should undertake to develop manufacturing or factory establishments. This may be done either by (a) bringing in industry from the outside, or (b) by developing industry from within, with local capital and local ownership.

(a) The factors involved in bringing into the area outside industry are as follows:

(1) Organization of a continuing group whose business it would be to solicit and follow up all possible outside prospects—such as a local chamber of commerce.

(2) Meeting the competition of other local communities throughout the country in their drives to attract outside industry; and today such competition is tough and rough.

(3) Find outside industrial prospects through the utilization of local top-management personnel and other influential persons in our area who have business or other relations with outside establishments, and by enlisting the efforts of those enterprises in our area who would directly benefit by the existence of manufacturing establishments in our area, such as the railroad, the REA, trucking companies, etc.

(b) The factors involved in developing industries within the area, with local capital and local ownership, are as follows:

(1) Are there local persons who would be interested in and be willing to risk capital in locally owned industries?

(2) Preparations of a directory of establishments within a radius of approximately 75 miles of Hardin County, listing and cataloging the kinds of business they are, and the products they buy.

(3) What kinds of manufacturing establishments would come within the experience and ability of our local owners and local managers?

It must be apparent, to the conscientious observer, that the fulfillment of our objectives, by the formulation and execution of specific action projects, must necessarily require time and extraordinary patience, and faith in the ultimate success of our work, on the part of the community—so that beyond our dedication to work, we must recognize and accept the time interval involved.

It is the committee's view, and they so recommend to the community, as to problem II (p. 5 hereof), that the industry committee—(a) continue its study of specific methods and means by which we can rebuild and expand the base of our existing economy; (b) suggest appropriate specific action projects which might reasonably be taken by the community to bring about a better and fuller economy for our area; and, (c) make further report, as promptly as possible, to the community at a public meeting.

SUMMARY

(1) *Awareness of our economic situation.*—It is obvious that our community is aware of our declining economy and the impact which it has had upon our people and their living conditions; mining, agriculture and the other activities of our area, it seems, do not provide the basis for a growing and expanding economy and the continuing improvement and enrichment of our living conditions.

(2) *Self-analysis of our economic situation.*—The committee has attempted to analyze and present to the community an exposition of the things we have, the people we are, and the range and scope of our present economy.

(3) *Self-help in our economic situation.*—The committee has attempted, in its report, to demonstrate the proposition that it is possible for us to improve our economic situation, and it has attempted to suggest fields of study and possible future action projects which might lead, upon attainment, to a better and richer economy, with full employment for those able and willing to work, and improved living conditions for all of us.

(4) *Questions.*—The committee has not listed the familiar series of questions which are usually appended to committee reports. It believes (and hopes) that questions will suggest themselves to the community in their reading of the report which should be noted and presented to the public meeting.

NOTE.—The industry committee, in its work, has drawn upon material contained in reports of other committees in our community's development program. It wishes to acknowledge its indebtedness to those committees for the privilege of drawing upon their work.

STATEMENT OF WILLIAM P. ROCK, EXECUTIVE DIRECTOR, ARKANSAS INDUSTRIAL DEVELOPMENT COMMISSION, LITTLE ROCK, PREPARED IN COOPERATION WITH UNIVERSITY OF ARKANSAS INDUSTRIAL RESEARCH AND EXTENSION CENTER

THE PROBLEM IN ARKANSAS

The basic economic problem of Arkansas is a low level of income. In 1954 the State's per capita income of \$979 was next to the lowest in the Nation. Arkansas' need, therefore—like the need of States in a similar position—is to increase wealth and income, provide employment in which people may work more productively, raise the level of living, and achieve a more balanced pattern in the use of material and human resources.

The Joint Committee on the Economic Report and its Subcommittee on Low-Income Families has done much to establish the facts as well as the causes of low income. We need only mention that the low-income level in our area is due largely to the high proportion of people in farming, the high proportion of low-income farms, and the high proportion of people outside the labor force. Because of higher than average birth rates and large outmigration of young adults from farm areas, we have a large proportion of dependent youth and old people in our population. And because of the lack of nonfarm employment opportunities in rural areas, we have a smaller proportion of women in the labor force. Our higher proportion of low-income farms is mainly the result of our having more people dependent upon farming than our total agricultural production can adequately support. Productivity of Arkansas agriculture is associated with the size of farm, availability of capital, mechanization, diversification, and adaptability to soil and market conditions. Wages in some manufacturing industries may be considered as contributing to this low monetary income level. But even the lowest wage industries such as lumber and apparel which are usually located in small town or rural areas where farm labor surpluses and underemployment are the greatest, provide off-farm employment opportunity with higher annual income than can be earned on the farm. And in an area where there is pressure of people over job opportunities, initial emphasis is likely to be placed on creating jobs.

It should be noted that much of our recent industrial growth has been in high-wage industries such as petroleum, aluminum, pulp and paper, and electrical equipment. Largely for this reason, people of Arkansas have been looking with increasing hope toward expanding manufacturing industry as a means of raising income. Arkansas, in fact, has been experiencing a faster rate of industrial growth than the Nation. According to the Bureau of Labor Statistics, Arkansas increased its manufacturing employment from 47,000 in 1939 to 80,200 in 1954, a 71-percent gain as compared to 59 percent in the Nation. But at the same time, outmigration has continued at a high rate. From 1940 to 1950 there was a net outmigration of 327,958 people. This amounted to 17 percent of our 1940 population. Yearly estimates of change since 1950 indicate that this trend is continuing.

Yet, outmigration has not solved the low-income problem. Surplus farm labor, underemployment, and low productivity on small farms is still serious. Moreover, few recognize that in addition to this large, disguised, underemployment on farms, Arkansas also has had a serious unemployment problem.

For the past 10 years (from September 1945 to September 1955, with the exception of 1949) Arkansas' average yearly unemployment rate has been higher than the national average. Today, the Bureau of Employment Security classifies only one Arkansas city, Fort Smith, as an area of substantial labor surplus. The Bureau of Employment Security's regular labor market reporting program, however, does not provide systematic and comprehensive coverage for the smaller and more rural areas. Also, the Bureau's new system of multiple classification criteria is subject to contradiction by the basic paradox of this area: Unemployment in Arkansas, and in much of the South, may be high even though employment is rising. The problem of Arkansas and the rural South is not rehabilitation of stagnant areas, but speeding up the growth of employment in labor surplus rural areas.

Recent Federal programs designed specifically to give aid to distressed areas of labor surplus are not well suited to meet the peculiar problem of our State and region. In fact they do not give any substantial relief. These programs include: (1) preference in awarding defense contracts, (2) additional tax amortization for defense plant expansion, and (3) area development technical assistance. Actually, the aid given nationally has been small. During 1954, for instance, labor surplus areas accounted for 18 percent of the Nation's non-

agricultural employment, but received only 8 percent of the net value of all defense contracts over \$25,000. Only 3.4 percent of such contracts were placed under preference procedures. Certifications for rapid tax amortization slowed down to a mere trickle in 1954 because defense expansion goals were largely met. Of all 1954 certifications, however, labor surplus areas received only about 11 percent.

Assistance to local communities provided by the area development program of the Department of Commerce has been helpful but not to the degree needed to supplement activities of private and State agencies where the real effort must take the form of industrial development programs on a State and community level. An effective State industrial development effort requires concentration of local research staff and promotional expenditures on a continuing basis.

We believe that industrial development programs can do much to raise Arkansas income levels, and that our State's primary responsibility is to promote industrial development. What we are doing to carry out this responsibility is described below. But first, we want to emphasize again that we do not expect industrial development to do the whole job of raising per capita income in Arkansas for it will take further improvements in farm incomes before the total income level can reach the national average.

As a relatively new organization, and as an industrial development commission, we have no specific suggestion on how this farm income can be increased, but it is an area in which action is needed. We would like to emphasize, however, that there is a definite relationship between industrial development and the solution of the farm problem. Here in Arkansas, with the loss of our farm population, the real significance is to be measured in the loss of the productivity of these people to our State.

But in considering our industrial responsibility, we would draw particular attention to several needs:

1. There is a need in Arkansas and throughout the South for facilities and personnel devoted to industrial vocational training as well as to general education. Educational expenditures in Southern States are as high as in any other area in relation to incomes, but because of their high proportion of youth and low per capita incomes, Southern States can afford to spend much less than the national average on a per pupil basis. Expenditures for any vocational training are likewise limited. We would suggest that a study be made of ways to increase the amount of industrial training that is made available to southern rural youth, in order to enable them to find employment opportunities and particularly as a basis for attracting new industry and meeting its needs.

2. Federal tax and fiscal policies should be consistent with State and local objectives especially in relation to industrial and business development. In this respect, it is of interest to Arkansas, where small business is so important, that Federal tax policies should not limit or reduce the ability of these small businesses to grow and expand.

3. Since a large part of this State's prosperity depends upon its natural resources, all of which are essential to the national economy, it is our belief that the Federal and State Governments should cooperate in maximizing the long-run use of these resources, of which water, power, and transportation are of primary importance.

ARKANSAS' APPROACH TO THE PROBLEM

Measures designed to reduce chronic labor surpluses and underemployment in Arkansas are centered largely in a statewide industrial development program. This program was launched about 10 years ago as a partnership effort of Government, business, and higher education. It was given considerable impetus early in 1955 when the State legislature created a new organizational framework around which a more concerted effort could be made to hasten industrial growth.

Basically, the new approach takes into account the need for a vigorous action program backed by research. It also recognizes the need for community participation, nationwide promotion, and private financing for certain development activities.

The action phase of the program is being carried out by the Arkansas Industrial Development Commission through intensive industrial contact work, statewide promotion, and coordination activities, area planning, and national advertising.

The research phase of the program is being carried out by the University of Arkansas through its industrial research and extension center at Little Rock.

The center is exploring specific problems of the State's economy to determine directions for sound and orderly growth. Through programs of business education and information, the center is helping to create a climate more favorable for industrial expansion.

An Arkansas Industrialization Panel of 100 business and civic leaders has been appointed by the Governor to assist and advise the members of the commission, to help in industrial contact work, and to sell the program.

An Arkansas Industrial Development Foundation has been organized as a non-profit corporation to receive grants and donations for expanding the scope of the commission's work. Incorporators and directors of the foundation are members of the commission.

Local industrial development corporations are being set up in various communities throughout the State as a means of financing new manufacturing plants and of expanding existing ones.

Senator SPARKMAN. We shall convene at 2 o'clock in this room this afternoon. The subcommittee now stands in recess until that time.

(Whereupon, at 12:28 p. m., the subcommittee recessed until 2 p. m., the same day.)

AFTERNOON SESSION

The subcommittee met at 2 p. m., Hon. John Sparkman (chairman of the subcommittee) presiding.

Present: Senator Ralph E. Flanders.

Also present: Grover W. Ensley, staff director, and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Let the subcommittee come to order, please.

I am hopeful that Senator Flanders will be able to spend some time with us this afternoon. He is leaving on a trip for India and naturally the last-minute details could consume a good bit of time. I hope he will be in a little later. However, we shall get started without waiting for him.

This morning we had detailed testimony concerning particular areas characterized by a chronic labor surplus and illustrations of remedial measures to rebuild such areas which have been undertaken by State and local governments, as well as by area development councils. We also had some discussion on the kinds of assistance offered by the Federal Government, particularly the technical assistance provided by the area development unit in the Department of Commerce.

We shall continue this afternoon with a panel discussion on A Paradox of Modern Economic Society: The Existence of Chronically Depressed Industrial Areas During Periods of Full Employment.

I read a letter this morning from the Director of the Bureau of Employment Security in which he reported that as of September 1955 there were about 500,000 unemployed workers concentrated in 120 large and small areas classified as having a "substantial labor surplus."

We have not truly achieved full employment as long as these geographic pockets of economic depression persist. Earlier in these sessions there was a considerable amount of testimony on depressed agricultural areas. Together, these industrial and rural areas represent a substantial waste of unemployed and underemployed labor and other resources.

Our session this afternoon on these industrial areas which are not sharing in the economic growth characteristic of our economy as a whole will be conducted as a panel discussion.

Each panelist will be given, as has been true in the other sessions, 5 to 10 minutes to summarize his statement. Let me state that, of course, the complete statements will be included in the record in full.

After the presentation of the summaries of all panelists, the remaining time will be available for discussion.

I hope very much that the members of the panel will feel free to comment on one another's statements and to direct questions to other panelists. I am sure that we shall have some questions, too.

May I introduce the panel:

Mr. William L. Batt, Jr., who also was with us this morning. Mr. Batt is executive secretary of the Toledo Industrial Development Council. We are working Mr. Batt overtime. There is no time and a half pay, though.

I would like to call on each one of you to present your statements over a period of 5 to 10 minutes.

Mr. Batt, would you like to lead off?

STATEMENT OF WILLIAM L. BATT, JR., EXECUTIVE SECRETARY, TOLEDO INDUSTRIAL DEVELOPMENT COUNCIL—Resumed

Mr. BATT. Thank you, Senator.

The greatest single aid that the Federal Government could give toward the solution of area unemployment would be to assist these areas technically and financially in initiating ever-available plant programs in each such community. With perhaps \$10 million in loans and loan guaranty authority, the Federal Government could stimulate a private investment of \$35 million initially in new plant and equipment and the creation of approximately 3,000 jobs where they are most needed. The objective would be to keep the funds revolving, the plants going up, and the manufacturers going into them, until these areas reached the full-employment levels being enjoyed by the rest of the country.

Modern plant space must be created if chronic area unemployment in the United States is to be solved. The attached table of Capital Investment Required in Labor Surplus Areas To Reduce Unemployment to 3 Percent of Labor Force, prepared with the help of the Bureau of Employment Security, indicates that the heavy unemployment in the 17 chronic surplus areas totaled 190,000 workers in March, about 6 percent of the national figure of 3 million for the same month. Subsidizing this unemployment costs the Nation \$136 million a year. Seventeen thousand new manufacturing jobs in these areas would restore them to levels of national full employment. Creating these jobs requires \$271 million in modern plant space, one-third of which, or \$90 million, the Federal Government should be prepared to supply in loans and loan guaranties.

It makes much more sense to invest \$90 million once in an all-out effort to correct area unemployment than to spend \$137 million year after year to subsidize this unemployment.

These figures are included, Senator, in this chart, capital investment required. I notice copies aren't available to the other members of the panel. I would like to pass them out. They are on the back of that testimony.

Three other recommendations:

Existing Federal programs to grant additional tax amortization to plants locating in labor-surplus areas and to channel defense contracts into such areas should be strengthened by writing into law.

Two hundred and four million dollars in new plant and equipment and 9,000 new jobs have resulted from the tax amortization program alone. I would like to point out in that connection that while this program would have been far more effective if it could have been instituted at the beginning of the Korean war when tax amortization programs were heavy, it didn't get instituted until September of 1953, when the tax-amortization program was far, far less. I still think it proved its worth.

The \$880 million in defense contracts channeled to these areas have probably employed another 8,000 workers for 1 year. There seems to be impressive evidence of the worth of both programs.

Statistically, two new sets of information would be most helpful: (1) Estimates by BES similar to those in the attached table for all the major and minor chronic labor-surplus areas, covering total unemployment and its percentage of the labor force, and estimates of the new jobs needed to restore these areas to national full-employment levels; (2) preparation by BLS of comparative data for all labor-surplus areas on work stoppages. That is in reference to the discussion we had this morning. Industrial relations are such a big factor in the redevelopment of these areas.

Finally, this chronic area unemployment problem poses a real challenge and opportunity to many segments of the business community, as well as to the Government. Companies should explore every possibility of enlisting labor union and community cooperation to solve their problems before they move out of an area. If moving proves unavoidable, they should make every attempt to get another enterprise to use their old facilities to employ their workers.

A good case here is Westinghouse in Sunbury where they made a very conscious effort to get another plant in that old Sunbury plant, and they succeeded.

Expanding industries should make the most of these reservoirs of surplus labor in locating new plants. Private financial institutions should help finance new plants in these areas. Business-supported research and policy groups should provide leadership in studying this problem and recommending measures that the business community can take to solve it, to the end that the free-enterprise system can function more effectively.

Finally, those of us who have been working in this field over the past years hope that today's bipartisan agreement on the need for Federal action to strengthen this weak link in our Nation's economy presages effective legislation in the forthcoming session of Congress.

Senator SPARKMAN. Thank you, Mr. Batt.

Mr. Conner.

**STATEMENT OF ELMER D. CONNER, EXECUTIVE DIRECTOR,
LOUISIANA DEPARTMENT OF COMMERCE AND INDUSTRY**

Mr. CONNER. Louisiana, being a relatively newcomer in the industrial field, has not experienced to any great extent the problems of chronically depressed industrial areas. Ours have been more the development of underdeveloped areas and rehabilitation of low-income rural areas resulting from changes in the agricultural economy brought on by increased mechanization of farming and newer tech-

nological advances. Nevertheless, I feel sure the approach to our problems will in many ways parallel that of the depressed industrial areas.

Industrialization has taught areas such as ours, which were formerly dependent almost entirely on agricultural economy, that diversification and a balance of industry, agriculture, and services is much more conducive to a healthy economy. Likewise, the tremendous overall expansion of the United States economy makes it possible for all regions of our great country to seek and receive its just share of this increase.

Identifying and evaluating the points to which pressure should be applied to accelerate economic growth and capital formation involves more than an economic problem, it goes into practically every branch of social science, education, health, politics, community planning, to name a few.

May I cite you examples of how our agency works at this business of community and industrial development; but, first, I would like to emphasize that we believe this development should be initiated at the local level and where this falls short of coping with the problems, the State may come in, and, lastly, the Federal Government, when the problem is of wide range and beyond statewide resources.

We place much stress on community level or grassroots development, because no one knows a community as well as its inhabitants, and little lasting progress can be made unless the local will to develop is present. Few communities in our country are willing to sit back and see its economy go to pot. A certain ferment or will to develop is usually there, organized or unorganized. It needs fanning and guidance. Today it is not uncommon for us to find in small towns this core of leadership among the younger generation found in Legion, Lions, junior chambers of commerce, young men's business clubs, and other civic groups.

A major portion of Louisiana's development activity centers around organizing, advising, and otherwise assisting these local groups. We get them to work under our guidance in surveying their community to ascertain its assets and liabilities. We stress the value of being honest and factual in evaluating themselves, and urge them to capitalize on their assets and attempt to correct liabilities wherever possible; then, we urge them to gear their development action toward those things for which it appears they have a potential whether it be agriculture, services, or industry.

Each year we sponsor an industrial development conference to teach them the techniques of development action. At this conference civic, business, industrial, planning, and development leaders tell them how best to promote their communities. We use case histories extensively, cases of towns that have been successful, and also some that have been unsuccessful. At our third such conference held last week over 275 persons from 65 of our 200 towns were in attendance.

I should tell you of Louisiana's industry inducement plan, which permits political subdivisions to float a public bond issue and use the proceeds therefrom to build or acquire manufacturing facilities to be leased to private enterprises.

The manufacturer is bound to pay rent to the municipality according to a schedule which will permit the municipality to amortize the

bonds during the primary lease, the terms of which shall not exceed 25 years.

Contrary to what many think, this is not a giveaway program and property holders do not have their taxes increased by giving approval to such a bond issue. Rentals charged the manufacturer are made sufficient to amortize the bonds. The community only endorses the bonds, much the same as an individual would endorse a note for a loan, and thereby guarantees payment in case of default. Even in case of default, steps could be taken to rent or sell to another manufacturer without necessitating any taxes on the property holders of the community.

The Louisiana Board of Commerce and Industry inquires into each new manufacturing proposal in close detail as to soundness of each contract before it gives its necessary approval. Such things as financial standing, adequacy of experience in the manufacture and distribution of the product or products to be manufactured, stability of the business and management ability, are closely scrutinized.

The State bond and tax board will want to know the community is not overburdened with debt before giving its approval to a new bond issue. They will also make certain that all provisions of existing laws relating to incurring debt and issuing bonds are fulfilled. Lastly, the State attorney general's office will review all contracts for legal loopholes that may be disadvantageous to the community.

Income tax and high building cost factors have forced many industrialists to seek expansion capital in the form of loans instead of stock issues, as was once the method. If you don't want to borrow money, it is nice to have someone else own the property and lease it to you on a long-term basis. This also eliminates any invested capital in housing, makes more of the funds of the company available for current operating needs.

Many manufacturers feel approval by a community of such a bond issue expresses a friendly attitude toward industry as well as giving the community a stake in it, items which are believed to insure greater success of the venture.

I believe this plan is of much greater importance to underdeveloped rural areas and small towns since it gives them a means of raising sufficient capital to do the job of attracting industry. Normally, these areas are limited in their ability to attract investment capital for buildings from life-insurance companies or banks.

Except for a plan such as the industry inducement plan or a difficult and often impossible plan of public subscription, many small towns are cut off from much investment capital for industrial development.

The industry inducement plan is initiated on the local level. The municipalities get a prospect through one of the various means—advertising in business papers, direct-mail solicitation, personal contact by community leaders, and those directed to them by railroads, power companies, industrial realtors, and others in the field of industrial-development work. It negotiates an agreement with the prospect and forwards signed copies to the department of commerce and industry, whose board will then approve or disapprove the contract and pass it on to the State bond and tax board. If approved by both boards the municipality issues a resolution calling the bond issue election and setting the date. If it passes, the municipality issues the bonds, adver-

tises them, and upon successful sale may begin the erection of the buildings.

We see nothing unusual about this law; in fact, we feel it fits in nicely with the major tenets of the Federal Employment Act of 1946 to promote maximum employment, production, and purchasing power, and to foster free-competitive enterprise and the general welfare. Certainly in providing a source of investment capital to low-income areas otherwise unable to obtain such, it serves to foster free competitive enterprise; and if depressed income areas are construed to affect the general welfare, we feel the law's general existence is justified.

Senator SPARKMAN. Thank you, Mr. Conner.

Mr. Miernyk.

STATEMENT OF WILLIAM H. MIERNYK, DIRECTOR, BUREAU OF BUSINESS AND ECONOMIC RESEARCH, NORTHEASTERN UNIVERSITY

Mr. MIERNYK. Thank you, Senator Sparkman.

It is encouraging to see the interest of this subcommittee in the problem of chronic, localized unemployment. Until recently it has been a very common view that this problem should be solved primarily by local action. But the persistence of localized unemployment in the face of high levels of employment throughout the Nation is convincing evidence that more than local action will be needed if employment is to be provided for workers who, through no fault of their own, have been displaced from their jobs.

There are a number of partly interrelated causes of localized unemployment. The most important are: (1) The migration of industry; (2) shifts in the demand for products which cause some industries to decline while others expand; (3) technological change; (4) the changing age structure of the American labor force; and (5) protracted seasonal unemployment in some areas. Such changes have been going on throughout our history, but they have occurred more suddenly, and with more serious consequences, in recent years than similar changes in the past.

The most seriously depressed areas are those heavily dependent upon certain types of manufacturing or coal mining. A large proportion of the workers displaced from their jobs in these communities are past middle age, and many have spent a lifetime in a single occupation. They do not readily migrate to other areas, where job opportunities might be more plentiful because they are generally not aware of such opportunities, or they are unable to finance such a move. The most serious aspect of the problem is the heavy concentration of unemployment among older members of the work force.

Efforts by the Federal Government to induce manufacturers to locate facilities in labor-surplus areas by granting them favorable tax writeoff provisions, and efforts to channel defense contracts to these areas, have been woefully inadequate. State and local development activities likewise have failed to attract a sufficient number of new employers to depressed communities to significantly reduce local unemployment. When factories have located in surplus-labor areas they have employed younger workers leaving those past middle age on the rolls of the chronically unemployed.

What can be done to mitigate the problem of localized unemployment? No one doubts that the success of a program to provide jobs for workers in depressed communities depends upon our ability to maintain a high level of employment in the Nation as a whole. But the responsibility for adapting to economic change cannot rest entirely upon local communities. The Federal Government should provide assistance to displaced workers able and willing to move from surplus-labor areas to areas of labor shortage. The Department of Labor could be assigned the responsibility of forecasting changing area labor requirements; and in cooperation with other agencies to assist in bringing idle workers and vacant jobs together. On the basis of forecasts an inventory of future job openings could be developed. This would be useful in helping to retrain displaced workers for new occupations.

States with a higher than average level of unemployment should take the initiative in establishing programs to retrain displaced workers which could be financed under present joint Federal-State arrangements.

State and local development agencies in the past have concentrated almost entirely on efforts to attract new manufacturing establishments to labor surplus areas. In spite of steadily rising manufacturing employment since the end of World War II, however, there has been a slight decline in the number of production jobs in the United States. Development agencies would be well advised to assist displaced manufacturing workers in finding nonmanufacturing jobs which they could be trained to fill.

Trade unions could also make a contribution to the elimination of chronic, localized unemployment by providing an offset to the higher costs of certain fringe benefits incurred by employers when they hire older persons instead of young workers.

It is now widely recognized that the national economy has benefited from policies which stimulated economic growth and higher incomes in the South. Similarly, the elimination of localized unemployment in other parts of the country will strengthen our entire economy and our economic system. Because many of the chronically unemployed are older workers, the problem will be difficult to solve under the best conditions. If there is to be any progress at all it will come only through the cooperative efforts of Federal, State, and local governments, and of public and private development agencies.

(The complete statement of Mr. Miernyk is as follows:)

CHRONIC, LOCALIZED UNEMPLOYMENT IN A FULL EMPLOYMENT ECONOMY

William H. Miernyk, director, bureau of business and economic research, Northeastern University, Boston, Mass.

The Employment Act of 1946 states that "it is the continuing policy and responsibility of the Federal Government * * * to promote maximum employment, production, and purchasing power." This act was passed because many economists and legislators feared a return of the chronic, mass unemployment of the thirties after the end of World War II. Earlier, Federal policies had been enacted to provide for the payment of unemployment compensation, and the protection of farmers' incomes. And various monetary and fiscal policies were adopted to stabilize the economy at a high level of employment.

The mass unemployment that was feared has been avoided successfully since the end of World War II. Only in 2 years, 1949 and 1950, has unemployment exceeded the 5 million mark. Unemployment rose during both of the postwar recessions, but in neither did it reach alarming proportions, and both recessions

were relatively short-lived. A high rate of private investment plus stabilizing Government policies have produced a full employment economy.

It is unreasonable to expect unemployment to disappear completely in a free market economy. There will be some frictional unemployment even during periods of labor shortage. But the concept of frictional unemployment suggests that somewhere in the economy there are enough unfilled jobs to offset the number of idle workers seeking employment. Even during periods of expanding production and employment, however, aggregate unemployment in the Nation has remained above the irreducible minimum which can be explained by frictions in the labor market.

There is an important difference between the chronic unemployment of the great depression and that which we have witnessed since the end of World War II. The former was widespread, while the latter is highly localized. The policies which have been developed to avoid mass unemployment in the Nation as a whole have been unable to solve the problem of persistent, localized unemployment because the causes of the two types of unemployment are not the same. If we can maintain sufficiently high levels of investment and consumer spending, aggregate employment in the Nation will remain at a high level. But persistent, localized unemployment is not due to a deficiency of aggregate investment or consumer spending. What factors have been responsible for the persistence of chronically depressed communities during periods of full employment? A number of causes, which are not necessarily independent, are discussed below.

The migration of industry, particularly from the Northeast to the South

Many types of manufacturing establishments are more mobile than certain types of industrial workers. Often the "movement" of a plant means the liquidation of an old establishment in one area and the opening of a new establishment in another. There may be little or no movement of machinery, but jobs are lost in the first area while new jobs are created in the second. Many of the workers stranded by the migration of industry are relatively immobile for reasons to be discussed in a later section.

Shifts in demand

The long-run decline in the demand for coal, as the industrial use of oil and gas has increased, is an example of a shift in demand which has produced persistent, localized unemployment. Displaced coal miners, like displaced factory workers, are relatively immobile. When their services as miners are no longer required, they do not find it easy to move to other occupations. Consequently, many communities heavily dependent upon coal mining for employment, have been classified, along with the textile towns and other communities affected by industrial migration, as depressed areas.

Technological change

Certain types of technological change reduce labor requirements in some industries, and shift the demand for labor from one area to another. An example is the dieselization of steam railways. Diesel locomotives are not built in the same areas where steam locomotives were formerly manufactured. Important steam locomotive repair centers have also felt the impact of this change. Dieselization has reduced the number of trainmen required to operate trains which has increased unemployment in important railroad centers. And the reduction in coal shipments has further affected railroad employment in some areas.

The changing age structure of the American labor force

One of the most important reasons behind the persistence of localized unemployment is the advanced age of many workers displaced by industrial migration, shifts in demand and technological change. The young worker who is displaced from his job, particularly if he does not have family responsibilities, is relatively mobile. But the older worker who has spent most of his life in one occupation and in one community where he has formed many associations, will not readily migrate elsewhere in search of employment if he is displaced from his job for one of the reasons mentioned above.

Protracted seasonal unemployment

In some communities, a high level of unemployment over the year is partly the result of seasonal activities. In Atlantic City, N. J., for example, unemployment virtually disappears during the summer months when resort activities are at their peak. But during the rest of the year a substantial proportion of the local labor force is unemployed. Similarly, in Asheville and Waynesville, N. C., seasonal

resort activities reduce unemployment during the summer months, but job openings are scarce during the remainder of the year. In some of these labor market areas, declining industrial employment has aggravated the problem, and has made it more difficult for workers to shift from one kind of seasonal employment to another. Employment in the garment industry in the Atlantic City area has been declining; in Asheville, N. C., the loss of employment in local textile and chemical (especially rayon) establishments has reduced job opportunities for the seasonally unemployed.

THE LOCATION OF DEPRESSED COMMUNITIES

The Bureau of Employment Security of the United States Department of Labor classifies labor market areas as:

- Group I: Areas of labor shortage
- Group II: Areas of balanced labor supply
- Group III: Areas of moderate labor surplus
- Group IV: Areas of substantial labor surplus

A further breakdown of areas under group IV distinguishes between those which show a "substantial" labor surplus and those which show a "very substantial" labor surplus. Areas are classified in the latter category when at least 12 percent of the local labor force is unemployed after allowances are made for seasonal and cyclical unemployment.

Since the end of World War II many local labor-market areas have been consistently classified as group IV or group III areas. When the level of unemployment in the Nation as a whole rises, due to cyclical causes, the number of surplus labor areas increases. When this happens, some local labor markets with a surplus of labor are reclassified as areas of very substantial labor surplus. The level of unemployment fluctuates in these communities, but it remains chronically high.

The well-known migration of textile mills from the Northeast to the South has produced a number of depressed communities. The impact has been greatest in such towns as Fall River, Lawrence, Lowell, and New Bedford, Mass.; the Utica-Rome area in New York; Reading, Pa.; and Providence, R. I. This is by no means an exhaustive list. Some textile manufacturing centers in the South have experienced a considerable amount of unemployment although their distress has not been as great as that of the communities listed above.

The secular decline in the demand for coal has left a number of hard hit communities in its wake especially in Pennsylvania and West Virginia. Such labor-market areas as Uniontown, Connorsville, Wilkes-Barre, Hazleton, Sunbury, Shamokin, and Mount Carmel, Pa.; Terre Haute and Vincennes, Ind.; Herrin, Murphysboro, and West Frankfort, Ill.; Jasper, Ala.; Ronceverte and White Sulphur Springs, W. Va., have all experienced a high level of local unemployment due to the declining demand for coal.

In Durham and Winston-Salem, N. C., the demand for labor is high for about 4 months out of the year when tobacco manufacturing activities are at their peak. But during the remaining 8 months, jobs are scarce and the annual average of unemployment in these communities is high enough for them to be classified as areas of substantial labor surplus. The problem in both areas has been aggravated by the long-term distress of local textile mills.

Altoona, Pa., and to a lesser extent the towns of Clearfield and Dubois, have been hard hit by the shift from steam to diesel locomotives. Altoona was once the largest steam locomotive repair center in the country. The precipitous decline in the number of steam locomotives in operation has left many repairmen without work. The same is true in Clearfield and Dubois, which are considerably smaller than Altoona, although in the latter two areas local unemployment has increased due to the decline in the demand for bituminous coal.

Some one-industry towns, such as Gloversville, N. Y., have been seriously affected by a sharp drop in the demand for specific products. Competition from abroad, and from new glove-manufacturing centers in the Midwest, coupled with a decline in the demand for high-quality gloves, has created a problem of persistent unemployment in Gloversville which has been classified as a surplus labor area since early 1952.

During the peak employment years of 1952 and 1953, 17 major labor-market areas and a dozen smaller ones were classified as surplus-labor areas. There were other areas which were included on the lists for part of this period, but those mentioned above remained in this category throughout the period as well as at other times when unemployment was more widespread.

FAILURE TO ADAPT TO CHANGE

The migration of industry, technological change, and shifts in demand are not new phenomena. They have been going on virtually since the founding of this country. Why is it, then, that local resources in depressed areas have failed to adjust to the changing needs of an expanding economy in recent years? The answer may be that recent changes have been more sudden and far reaching than similar changes in the past.

The mass migration of the cotton textile industry from New England to the South did not begin until the early twenties. Until that time employment in cotton mills expanded in both the North and the South. Employment in New England cotton mills continued to decline for the next two decades although it increased slightly in other branches of the textile industry. During World War II, the entire industry operated close to full capacity; the migration was temporarily halted, and unemployment virtually disappeared. Migration started again after the war, but this time mills in both the cotton and the woolen-worsted industries were liquidated in the North and new establishments were opened in the South. The coal industry, too, had experienced trying times before World War II, but was revived during the war and the immediate postwar period. In recent years, however, the industry as a whole has been shrinking. The rate of technological change, with accompanying employment effects, has also increased since the end of World War II.

Structural changes in employment

It is significant that most depressed areas are heavily dependent upon manufacturing or coal mining. It also appears that workers displaced from their employment after spending a major portion of their working lives in manufacturing or coal mining do not easily make the transition to new occupations. According to a recent survey of research on labor mobility, "most studies of patterns of job changes have found evidence of a rather high degree of occupational and industrial flexibility in the work force * * * large proportions of the job changes made in the labor force as a whole involve a change in industry, in occupation, or in both."¹ But "the evidence indicates conclusively that job changes from one local labor market to another are much less frequent than those from one occupation or industry to another."²

It must be stressed, however, that before workers can change their industry or occupation, jobs must be available to them. And since there is widespread agreement that workers in general are less inclined to make a geographic shift in employment than to change their occupations, such jobs must be available in the local labor-market area.

A recent study of the employment experience of displaced textile workers who found new jobs revealed that 75 percent remained in manufacturing. Most of those who found nonmanufacturing jobs were employed in unskilled and relatively low-paying occupations.³ Most of the displaced workers in depressed areas are production workers or operatives, rather than clerical or service workers. Since it appears that the best opportunity for reemployment of displaced manufacturing workers is in manufacturing industry, recent trends in manufacturing employment may help explain the difficulties encountered by displaced workers in finding jobs similar to the ones they lost.

In recent decades the proportion of the total labor force engaged in manufacturing has been relatively stable, but there have been shifts in employment within the manufacturing sector. Workers employed in manufacturing may be classified as production workers, or operatives, and nonproduction workers such as those engaged in purchasing, distribution, advertising, sales accounting, and clerical work.

Since 1939, manufacturing employment in the United States has increased by 58.7 percent. But the number of production workers has increased only 53.7 percent while the number of nonproduction workers increased 80.3 percent. In 1946, after the postwar adjustment from defense to nondefense production had been largely completed, the ratio of production workers to the total manufactur-

¹ Herbert S. Parnes, *Research on Labor Mobility*, New York: Social Science Research Council, Bulletin 65, 1954, p. 73.

² *Ibid.* p. 76. See also, Joseph W. Garbarino, *The Unemployed Worker During a Period of Full Employment*, University of California, Institute of Industrial Relations, Reprint No. 50, pp. 28-29.

³ William H. Miernyk, *Inter-Industry Labor Mobility*, Bureau of Business and Economic Research, Northeastern University, Boston: p. 19.

ing work force stood at 83.7; by 1954 this ratio had dropped to 78.7.⁴ These trends reflect the postwar acceleration of mechanization and automatization in many manufacturing processes. Although manufacturing employment has increased slightly since the end of World War II, there has been a slight drop in the number of production workers.

If the experience of the displaced textile workers cited above is representative of other displaced manufacturing workers, that is, if the best opportunities for reemployment are in other manufacturing jobs, part of the difficulty experienced by displaced workers in adjusting to new employment may be due to the decline in the aggregate number of production jobs available.

Short-run and long-run labor mobility

Many observers of long-run, structural changes in employment in the American economy have accepted these changes as evidence of a high degree of labor mobility. But they have failed to distinguish between short-run and long-run labor mobility, a distinction which must be made if we are to understand why unemployment persists in some labor market areas despite rising employment in the Nation as a whole. By short-run mobility we mean changes of job, occupation, or industry involving a given worker or a given group of workers. The long-run mobility of labor represents the movement of succeeding generations of children into new occupations. The same workers are not involved in the geographic and occupation shifts that take place.⁵ The latter have proceeded fairly smoothly, but short-run adjustments are not made as easily.

There are a number of reasons why displaced workers do not readily find new employment. Many of them are unable or unwilling to leave communities in which they have spent most of their lives. The typical unemployed worker is not too well informed about the availability of job opportunities elsewhere. But without question the greatest obstacle to the reemployment of displaced workers is that of age. A displaced textile worker or coal miner may be fully capable of performing many types of work satisfactorily. But if he has passed middle age, he finds that his services are not wanted except during periods of labor shortage, and there have been few such periods since the end of World War II.

The difficulties experienced by workers past 40 in finding new employment have been widely publicized. This is a problem faced by older workers everywhere, but it is particularly acute in the depressed communities because of the concentration of older, unemployed workers in those areas. It is this concentration of persistent unemployment among the older members of the work force which makes the problems of the depressed communities particularly intractable.

EFFORTS TO REHABILITATE THE DEPRESSED COMMUNITIES

Up to now, the problem of localized unemployment has been considered as a purely local matter, or at best one of concern to the States involved. The most recent report of the Council of Economic Advisers, for example, states that "a large part of the adjustment of depressed areas to new economic conditions both can and should be carried out by the local citizens themselves."⁶ Most efforts to solve the problem of localized unemployment have been based upon attempts to attract new industries to depressed communities. Sir William Beveridge once pointed out that "it is better, and less of an interference with individual lives, to control businessmen in the location of their enterprises than to leave them uncontrolled and require work people to move their homes for the sake of employment."⁷ Whether consciously or not, local planners have followed this maxim with one important exception. There has been relatively little effort to control the location of industry in the United States. But a tremendous amount of time, effort, and energy have been expended by State and local development agencies in attempting to induce the location of new industry in depressed communities.

In the South, development activities have frequently included positive inducements such as tax concessions and community-financed factory construction.

⁴ Data from from, U. S. Department of Labor, Bureau of Labor Statistics, *Employment and Earnings*, August 1955, pp. 1, 7.

⁵ These concepts have been elaborated elsewhere. See William H. Miernyk, *Labor Mobility and Regional Growth*, *Economic Geography*, 31 (4) October 1955.

⁶ *Economic Report of the President*, Washington: U. S. Government Printing Office, 1955: p. 57, italics added.

⁷ William H. Beveridge, *Full Employment in a Free Society*, New York: W. W. Norton & Co., 1945, p. 32.

In the depressed communities of the Northeast, however, local development activities have been highly promotional. The advantages of plant locations in depressed areas have been widely publicized, and among these the availability of an abundant supply of skilled and industrious workers is given prominence. There has been a limited amount of community financing of new factory buildings, but a more typical approach is the development of a community-supported industrial tract where industries are urged to construct their own new factories.

Some State development agencies have been highly successful in stimulating industrial development. Unfortunately, insofar as the problem of localized unemployment is concerned, such expansion rarely takes place in the depressed communities. It thus fails to provide job opportunities for the older workers who have been stranded by industrial migration, or displaced from their jobs for other reasons.

On the whole, the activities of development agencies have done little to alleviate the problems of the depressed communities. Even when new industrial plants have been induced to locate in these communities they have failed, for the most part, to tap the supply of older, unemployed workers available. They have concentrated upon recruiting new entrants into the labor force or younger workers in general.

The Federal Government has cooperated with State and local development agencies by granting "certificates of necessity" with favorable tax writeoff provisions to manufacturers who have located plants in surplus-labor areas. To date the results have not been impressive.⁸ An approach which has received strong support from trade unions has been the attempt to channel defense contracts in labor surplus areas rather than letting them on the basis of competitive bids. But these efforts have encountered strong opposition from Congressmen representing relatively low wage areas, and relatively few contracts have been placed without competitive bidding.

FEDERAL POLICY TOWARD LOCALIZED UNEMPLOYMENT

Under the Employment Act of 1946, the Council of Economic Advisers is called upon to suggest policies to help maintain a high level of employment. But the Council has been mainly concerned with maintaining a high level of employment in the Nation as a whole. It has advocated fiscal policies to encourage economic expansion. It has also urged the adoption of policies to encourage new and small businesses, to improve the basis of technology and to strengthen economic ties with other countries.⁹ While recognizing the existence of "structural" or "spot" unemployment, the Council has considered this to be mainly a matter of local concern. As positive suggestions, the Council of Economic Advisers has recommended the strengthening of the area development program of the Department of Commerce, and a continuation of the policy of "granting special tax amortization benefits for new defense facilities located in surplus labor areas, and of placing Government contracts as far as feasible in these areas."¹⁰ And finally, the Council has argued that "the Federal Government can make its most effective contribution to their needs as well as those of others by steadfastly pursuing monetary, tax, expenditure, debt management, and general housekeeping policies that promise a high and stable level of employment in the Nation at large."¹¹

There can be no doubt that the success of any program to provide jobs for displaced workers in depressed communities must be based upon the maintenance of a high level of employment in the Nation as a whole. But while this is a necessary condition for the elimination of localized unemployment it is not sufficient. If localized unemployment is to be eliminated, there must be job openings somewhere in the economy for the unemployed workers in depressed communities. In addition, there must be a positive program to bring the idle workers and vacant jobs together. The responsibility for adapting to economic change cannot rest entirely upon local communities. They will need assistance from the Federal Government, State governments, trade unions, and business organizations.

⁸ The entire program of granting tax-amortization assistance had created an estimated 9,000 jobs in the Nation's labor surplus areas by the end of 1954. See *The Labor Market and Employment Security*, U. S. Department of Labor, Bureau of Employment Security, March 1955, pp. 16-17.

⁹ *Op. cit.*, pp. 48-56.

¹⁰ *Ibid.*, p. 57.

¹¹ *Ibid.*

The role of the Federal Government

The primary role of the Federal Government should be to continue its policy of maintaining an economic climate which will maximize the number of job opportunities in the Nation, coupled with a more clearly formulated policy for dealing with structural or spot unemployment. Such a program should encourage the expansion of employment in depressed communities where such expansion can be economically justified. It should also provide for assistance to displaced workers able and willing to move from surplus-labor areas to areas of labor shortage. The most urgent need of all, however, is that of jobs for older displaced workers. The latter will require something more than exhortations to businessmen to hire workers past middle age.

As a first step, the Government could adopt a suggestion advanced several years ago by Prof. Clyde Dankert. "The work of the United States Employment Service should be more closely coordinated so as to aid geographical mobility. Perhaps a special division, a 'displaced workers division,' could be established within the Service which would give particular attention to the technologically unemployed."¹² This could be broadened, of course, to include workers displaced for other causes. Under such a program, workers needed in one area could be recruited from surplus-labor areas. In cooperation with housing agencies, both public and private, workers moving from one place to another could be assured living quarters. Where necessary, they could be given financial assistance to permit them to move. The latter would undoubtedly require special Federal legislation, and this might encounter some objections. But in the long run, it will be far less costly to subsidize the movement of unemployed workers than to continue to maintain them by protracted unemployment compensation or relief payments.

More could also be done about forecasting changing labor requirements in areas where industry is expanding. The increased demand for labor in such areas could be met in part by drawing upon surplus workers in distressed areas. Using the methods of input-output analysis, Isard and Kuenne estimated the direct and indirect employment effects of the expansion of steel capacity in the greater New York-Philadelphia region.¹³ They were able to estimate the increased demand for labor not only in manufacturing but in the trades and services as well. This method could be applied in other areas. By planning to meet changing labor requirements, expanding industries could be assisted in recruiting, and at the same time some jobs could be provided for the chronically unemployed in distressed areas. An illustration may help clarify this suggestion.

Following construction of a United States Steel Corp.'s Fairless Works at Morrisville, Pa., and the expansion of employment in the Kaiser Metal Products plant in that area, a labor shortage developed. Recruiters, representing these and other establishments in the Morrisville area, were ranging far and wide in search of experienced workers. Meanwhile, at Altoona, Pa., some 200 miles away, there were many unemployed workers with long experience in the locomotive repair shops. But there was no machinery to effect the transfer of workers from this distressed area to the area of labor shortage. Future developments of this kind could be anticipated, and an employment exchange could aid in the movement of workers from places where jobs are not available to areas of expanding job opportunities.

The Federal Government should also establish standards to control subsidized industrial migration. Virtually all States are engaged in the competition for new industry. Such competition in itself is not undesirable provided it leads to an optimum distribution of our industrial resources, and the location of manufacturing establishments in accordance with sound economic principles. But there is some doubt about the economic soundness of community-financed factory construction, tax exemptions, and other concessions which may cause unnecessary industrial dislocation. This question has been thoroughly aired elsewhere, and will not be discussed further here, but there appears to be an

¹² C. E. Dankert, *Labor Immobility and Technological Unemployment*, Social Forces, 19 (3), March 1941, p. 433.

¹³ See Walter Isard and Robert A. Kuenne, *The Impact of Steel Upon the Greater New York-Philadelphia Industrial Region*, Review of Economics and Statistics, XXXV, November 1953, p. 297.

urgent need for control over some of the proselyting activities of State development agencies.¹⁴

State and local development activities

State and local development agencies, in those States containing depressed communities, have concerned themselves primarily with the development of industrial tracts, advertising and promotional activity. In the main, they have assumed that their job is to attract industry to a specific locality. Once this is done, they have assumed, the labor market will take care of itself. There have been only a few efforts, and these of limited duration, to provide retraining for displaced workers and to actively assist them in finding new jobs for which they might be suited.

States with above-average unemployment should take the initiative in establishing a program of vocational education for displaced workers. Perhaps the workers could attend classes while drawing unemployment compensation. Financing could be arranged under the joint Federal-State vocational education program. It is important to stress, however, that displaced workers should be trained for specific jobs which they might reasonably expect to get. It would be the height of folly to provide them with expensive and elaborate training for nonexistent jobs. But if accurate estimates of changing labor requirements can be made, and an inventory of job needs developed, workers in surplus labor areas can be trained to become candidates for jobs in other areas where there is a stronger demand for labor.

The typical State or local development agency is primarily interested in attracting new manufacturing industry into the State. Their reasons are understandable in view of the well-known multiplier effects of manufacturing employment. But it is unreasonable to expect that manufacturing employment can expand with equal ease in all areas. The employment trends mentioned in an earlier section indicate a declining demand for production workers. State and local development agencies would be well advised to explore the possibility of developing job opportunities in nonmanufacturing occupations for displaced industrial workers. And the displaced workers might be provided with the necessary training, along the lines suggested above, to fit them for such jobs.

Trade union activities

In some cases trade unions have attempted to meet the problems of industrial migration and technological change by negotiating severance pay provisions in their agreements. They have also vigorously opposed the subsidization of industrial migration, although to date with relatively little success. Union leaders have also urged the employment of older workers. But perhaps they could do more to encourage employers to hire older displaced workers if they could offset to some extent the higher cost of certain fringe benefits incurred by an employer when he employs an older person in place of a young worker.

PROBLEMS OF IMPLEMENTING A PROGRAM TO ELIMINATE LOCALIZED UNEMPLOYMENT

In a society as wealthy and efficient as ours it is inconceivable that we must tolerate chronic, localized unemployment within the framework of a free market economy. Unfortunately, however, legislators and businessmen often take an extremely narrow view of policies designed to minimize such unemployment. Efforts to reduce unemployment in surplus labor areas by the channeling of defense contracts, for example, arouse a hostile reaction among representatives of other areas—particularly if the latter are relatively low-cost areas which could bid successfully for these contracts. Such policies are condemned as "special privileges" granted to the depressed communities. Businessmen and legislators should recognize that the Nation as a whole stands to gain from the elimination of weak spots in the economy.

¹⁴ See American Federation of Labor, *Subsidized Industrial Migration*, Washington: A. F. of L. Department of Research, 1955. See also *The Distressed Area: A Growing National Problem*, Economic Outlook, CIO Department of Education and Research, XVI (7-8), July-August 1955.

It is now widely accepted that the national economy has benefited from policies which stimulated economic growth and higher incomes in the South. By similar reasoning, we should recognize that the elimination of depressed industrial areas in other parts of the country will strengthen our economy and our economic system.

Perhaps more than anything else we need a change in attitudes. The problems of depressed communities should not be regarded as local problems to be solved entirely by local action. Once it is seen that a coordinated program involving all levels of government, as well as the active cooperation of private organizations, is required, we may expect progress to be made in eliminating the paradox of chronic unemployment in local areas during periods of high-level employment in the Nation.

**STATEMENT OF ALFRED C. NEAL, FIRST VICE PRESIDENT,
FEDERAL RESERVE BANK OF BOSTON**

Mr. NEAL. Senator Sparkman, Senator Flanders, I am going to talk about the redevelopment of chronic labor surplus areas in New England, and I think it is well that we start with some definition. If you are talking about a chronic labor surplus area it would be an area which has had difficulty for some time. We have defined a chronic labor surplus area as one in which the ratio of unemployment to labor force was higher in the majority of the postwar years than the regional ratio of unemployment to labor force.

Inasmuch as New England has had a slightly higher regional ratio than the national ratio, this means by definition that a chronic labor surplus area in New England has a ratio of unemployment higher than both the regional and the national ratio for the majority of the years including and since 1948.

By this definition we had in 1955 six chronic labor surplus areas. These are Providence, R. I., New Bedford, Lawrence, Lowell, Fall River, and Brockton, Mass.

As to the causes of these labor surplus areas, in 5 of the 6 the decline in textile employment has been greater than the total decline in manufacturing employment during the postwar period. This means that they regained some of the lost textile jobs, but not all of them.

This postwar effect is not a new one. It continues a 30-year trend which was interrupted by the war, but inasmuch as it has continued for so long a time, it indicates the need for stronger remedial measures than we have had so far.

However, a community has a great deal to do for itself before it should look outside for further assistance. A community has the responsibility for getting its own house in order, as it were. This has all been brought out in earlier discussions. It needs economic, efficient, and responsible government; it needs to establish planning and zoning for growth or redevelopment; it needs to provide a high level of community services, and it should coordinate its education and training facilities and actions with the needs of business, and, lastly, as we have all agreed so far, it needs an industrial development program which will construct new plants for lease, and which will perform the brokerage function which was discussed this morning.

In addition, I believe that the States have some responsibility, and to make the record complete I should point out that each of the New England States has a well-equipped and active department of commerce, or some similar agency, devoted to promoting economic development. Each also has a special financing institution called a develop-

ment credit corporation or business development corporation, which will make funds available beyond the normal risks which banks and other lenders would take. Every one of these communities that I have mentioned, with one exception, has some sort of local foundation which is willing to invest some funds in new plant or in plant rehabilitation. Throughout New England area there are more than 40 of these local foundations.

These measures have proved effective in many New England communities, as witness the fact there are only 6 on the list of chronic labor surplus areas, but in those 6 they have been inadequate.

If, therefore, we wish a more effective program I believe that we will have to look outside both the community and the States involved.

It seems entirely reasonable to me that the cost of additional assistance should be borne by the Federal Government rather than by the States in which the chronic labor surplus areas are located. The basic reason for this position is fairly simply stated. In our own situation the condition of these chronic labor surplus areas is primarily the result of a process of improving income standards in other parts of the country. In other words, the low-income areas of the South have benefited very greatly by the growth there of the textile industry, which has been accompanied by a decline in New England, because this old standby industry in New England has been unable to compete. The failure of the region to grow rapidly enough to make up for the textile displacement is also in turn partly due to national policies. The remaining textile industry, for example, is struggling with tariff adjustments, and the region has not had the growth in defense industries which some other areas have had, again partly as a matter of national policy because of a more vulnerable location.

On the basis of the experience we have had, I have put together a program, and some of this will be duplication of what you have already heard, which is as firmly grounded on experience as anything we could develop. It is, you might say, a 5-point point 4 program.

The first part of this program is familiar. Mr. Conner has already mentioned it on this panel, and it was mentioned earlier. Each community needs a complete inventory of its industrial resources, what it has to offer that industry needs, and what gaps there are in its inventory that need to be filled.

This study can be done by private organizations; it can be done entirely by private or municipal financing, but in order to encourage it to be done in all chronic surplus-labor areas it might be well for the Federal Government to consider at least offering grants-in-aid to assist the making of such studies.

The second point in the program is financial assistance to construct new factory buildings or new community facilities. Mr. Batt has very ably pointed out the need for new factory buildings as an inducement device, and I think almost everyone operating in this field recognizes this need.

In spite of the existence of some 40 industrial foundations, and 6 development credit corporations, in New England, however, there is still need for what you might call second mortgage financing on new industrial plants to put these communities in the condition to have the ever-available plant, as Mr. Batt calls it, in Toledo.

There may also be some need for financing additional community facilities, although this is not likely to be large.

The third point is technical assistance to established employers already in the area, to help them develop new products, to expand the market for their existing products, to lower their costs. This type of operation is comparable to the extension service which we provide farmers. It has not been provided to industry on any important scale.

There are a couple of private programs which have been fairly successful in New England which give rise to this recommendation, but they are not likely to be privately financed, particularly in the distressed area or the surplus labor market area.

The fourth point in the program again borrows from a well-established program. It is accelerated depreciation for new plants and plant expansions in chronic labor-surplus areas. Instead of using the contribution to defense as the basis for authorizing the certificates of necessity, you could use the construction of the plant in one of these chronic or surplus areas, and the contribution to employment that the plant would make there. This is clearly discriminatory, but discriminatory in the national interest. The fifth is a point which ties in very closely with what Mr. Miernyk has mentioned about the fact that so many of the older workers are left stranded in these situations. This point is extension of unemployment-insurance benefits beyond normal expiration periods to workers who are undergoing retraining. Through training programs, workers may be converted from surplus-job classifications to classifications of job shortage, and unemployment compensation should be extended for an additional period up to 26 weeks to workers taking retraining courses.

The cost of extended unemployment-compensation benefits should, I believe, be borne by the Federal Government. Otherwise, the burden placed upon the States, particularly the smaller States like Rhode Island, would be so heavy as to lead to repelling employment, new employment, and new employers, because employers would be appalled at having to pay the maximum unemployment compensation tax rate.

I think there is a broader purpose to be served by this program than merely assistance to these local communities. If we do not find a way more quickly to take care of the communities left stranded by industrial migration or by technological change, we will have growing resistance to these changes. These changes are a necessary part of an economy which is dynamic, which is growing in productivity. If this resistance develops, I think it will lead to pressures for what might be called security of job rather than security of person. If we begin to freeze people in jobs and occupations, and feel that we must maintain every one in his skill, we shall lose a good deal of the dynamic quality of our economy. The broader purpose here is very, very important: That we must overcome resistance to change which is likely to become greater the more the change leads to distress in individual locations.

Senator SPARKMAN. Thank you, Mr. Neal.

(The complete statement of Mr. Neal is as follows:)

REDEVELOPMENT OF CHRONIC LABOR SURPLUS AREAS IN NEW ENGLAND

Alfred C. Neal, first vice president, Federal Reserve Bank of Boston

Although it is mainly a matter of terminology, there is much to be said for redefining our subject in terms of opportunity rather than in terms of distress. I should therefore like to refer to "chronic surplus-labor-market areas" rather

than to "chronically depressed areas," because a surplus-labor market represents an opportunity for new employment.

For our discussion to be meaningful it is essential to define our terms and our frame of reference. I shall be talking about chronic surplus-labor-market areas in New England, which is a predominantly industrial region, and I should like to identify these chronic surplus-labor-market areas in a manner susceptible of statistical treatment.

We consider a chronic surplus-labor-market area to be a labor market which during half or more of the time since 1948 has had a ratio of unemployment to employment higher than the average for the six-State New England region. During the period since 1948 when these data became available, New England has had a ratio of unemployment to covered employment higher than the national average largely because of the influence of its chronic labor-surplus areas. Therefore, by definition our chronic labor-surplus areas have a ratio of unemployment to covered employment higher than the national average as well as higher than the regional average.

In arriving at our list of chronic labor-surplus areas we constructed a ratio of unemployment to covered employment for the month of May for each year for the region and for each of the 35 largest labor-market areas in New England which have been classified by the Department of Labor during the period. The regional ratios of unemployment to employment used as a benchmark were:

Year	Percent un- employed	BES labor supply group
1948.....	4.84	C or worse.
1949.....	11.30	E or worse.
1950.....	8.87	D or worse.
1951.....	4.64	IV or worse.
1952.....	4.74	Do.
1953.....	2.70	III or worse.
1954.....	5.96	IV or worse.
1955.....	3.86	III or C or worse.

Labor market areas having a ratio of unemployment higher in 5 or more of the 8 years were considered to be chronic surplus labor market areas. These labor market areas are the following:¹

Providence (8)
New Bedford (7)
Lawrence (6)

Lowell (6)
Fall River (5)
Brockton (5)

(The figures in parentheses indicate the number of years in which the local unemployment ratio exceeded that for the region.) These 6 areas accounted in 1950 for approximately 15.7 percent of the labor force in New England, 18.4 percent of the region's unemployment, and 23.6 percent of its continued claims for unemployment compensation. Currently, most of these areas have increased employment; it should be noted that the data for 1955 are for the first 9 months.

The responsibility for the creation of these industrial areas with chronic labor surpluses is not difficult to find. Ironically, the cause is associated with the improvement of low-income levels in other areas. In 5 of the 6 cases the immediate cause for the creation and continuance of the chronic labor surplus condition has been the decline of the textile industry in the local labor market area involved. In all of these five cases the decline in textile employment has been greater than the decline in manufacturing employment in the area during the postwar period. This means that loss of jobs in textiles has been partially offset by an increase in jobs in other industries, but that the growth of jobs in other industries has been insufficient to offset the loss in textile employment. (See table I.) In the sixth case the pattern is similar, but the industry was different. Brockton's situation has been due to the losses in the shoe-and-leather industry which have only been partially offset by gains in other industries.

This is not the time to go into the problems of the textile industry. It will suffice to say that the textile industry is not a growth industry in terms of employment for the country as a whole, and that the decline in New England has been associated with growth in the South. And I believe that it is a fair

¹ Depressed semirural areas like Washington County, Maine, and smaller towns are not classified regularly, if at all, and so cannot be given the same statistical treatment as the 35 areas in New England which are regularly classified.

statement that growth in the South is associated with the improvement in the income and living standards of people in the areas where textile industry has been growing. The shift in the shoe-and-leather industry has been primarily within New England, and we know that income levels in the State of Maine have been improved by the growth of the shoe industry there, probably at the expense of some loss in Brockton. It should also be pointed out that the postwar chronic labor surplus condition in these 6 cities represents a continuation of a trend which had become evident during the 1920's and continued through the 1930's and was only interrupted by the war period. New England's chronic labor surplus problems therefore are not of recent development, a fact which indicates the need for better remedial measures than have so far been available.

TABLE I.—Sources of job losses in 6 New England cities with chronic labor surpluses

	Monthly average	Average 9 months	Loss
New Bedford labor market area:			
Total manufacturing employment.....	1948 35,050	1955 28,097	6,953
Textiles.....	16,891	4,961	¹ 11,930
Fall River labor market area:			
Total manufacturing employment.....	30,035	26,066	3,969
Textiles.....	15,286	8,645	¹ 6,641
Brockton labor market area:			
Total manufacturing employment.....	1946 21,764	1955 20,555	1,209
Leather and shoes.....	12,345	9,633	2,712
Lawrence labor market area:			
Total manufacturing employment.....	1948 37,498	1955 19,616	17,882
Textiles.....	27,215	5,274	² 21,941
Lowell labor market area:			
Total manufacturing employment.....	1946 24,478	1955 21,595	2,883
Textiles.....	13,628	8,464	³ 5,164
Rhode Island:			
Total manufacturing employment.....	1947 153,242	1955 132,200	21,042
Textiles.....	66,697	39,300	⁴ 27,397

¹ Mostly cotton textiles.

² Woolens.

³ Mostly woolens and worsteds.

⁴ Worsteds.

The persistence of a chronic industrial labor-surplus area over a period of years can be attributed to the characteristic which economists call immobility of labor. In the technical sense this expression covers a variety of conditions. It covers the hope of the middle-aged and older skilled worker that the mills will come back; the inability or unwillingness of older workers to learn new skills; the ties of home and friends and of race, religion, and nationality; the lack of knowledge of employment opportunities elsewhere and of community living conditions elsewhere. It covers also the inability of some families to swing the capital cost of moving and relocating. In textile communities particularly, a factor promoting immobility is the existence of multiple-worker families in which two or more wage earners are in the labor force and which stay put so long as at least one is employed.

Some palliative and emergency measures serve to contribute to immobility. There has been a certain amount of rotation between jobs and unemployment compensation rolls. Preference in granting defense contracts may have helped to keep employment going temporarily. Eligibility for relief in the home community and probable ineligibility elsewhere may be a contributing factor. On the whole, however, we doubt that palliative or emergency measures have been a large part of the cause for continuance of chronic labor surpluses. Chronic labor surplus conditions have prevailed before palliative or emergency measures were available. The record of population decline in some of the long-depressed communities is evidence that geographical movement does occur.

A good case can be made for the argument that encouragement of migration to other areas is perhaps the least satisfactory solution of the problem of chronic labor surplus areas in industrial communities. So far as New England communities are concerned, the principal resources of such communities are the labor force and the community itself, together with municipal facilities, homes, the

structure of local government, etc. It should be recognized that each industrial wage earner supports an additional wage earner employed elsewhere in the service industries, professions, retail trade, and like occupations. An outmigration of industrial workers would force a secondary outmigration of nonindustrial workers who have been left stranded. Outmigration would destroy enormous investments in social capital represented by homes and community facilities built up over several generations. Migration is likely to run from the smaller surplus labor areas toward large urban centers, and would result in further concentration of industry and employment to the detriment of the Nation's industrial dispersion program. For all these reasons, it would appear to be undesirable to encourage migration until a program such as that outlined later has been tried and found unsuccessful.

Most of the difficulties of depressed areas could be avoided if remedial action could be taken soon enough. In most of the New England communities with chronic labor surpluses the decline in employment has been going on for a long time and was interrupted during the war. Under such conditions, regrowth and rehabilitation of the industrial base is made difficult by management's fear of a rising tax burden required to support a high level of community services to which the people have become accustomed; by the fear of restrictive practices on the part of unions seeking to protect the jobs of members; and by the unreasoned attitude that plants should be located in growing rather than in declining areas. A long-continued decline of industrial employment leads to a deterioration of the labor force, because young people who are faced with declining opportunity tend to move away, leaving a labor force of higher than average age.

As against these disadvantages, however, certain self-correcting forces are gradually set in motion. Industrial buildings, although old and often inefficient, are nevertheless available at low rents. These buildings and the unemployed labor soon attract industries which thrive upon distress but which on the whole are not desirable employers. The primary attraction is an industrial labor force willing to work at lower wages than those which prevail in more prosperous communities, and many in this labor force have skills useful to new employers. Finally, as conditions worsen, leadership within the community is likely to assert itself and efforts are made by both local government and by business and labor leadership to improve the condition of the community. Industrial foundations are set up and a fund is raised for the rehabilitation of old industrial plants or the construction of new ones, and these funds are sometimes used to provide loans for new manufacturers coming into the community, or even to subsidize the movement of a manufacturer into the community.

It is obvious that the development of these corrective forces has been slow and their influence inadequate in the six chronic labor surplus areas which we have identified. However, many other communities have successfully overcome similar problems, and it is from the experience of these successful efforts and from the progress being made in the chronically distressed communities that we have drawn a program which I am about to outline.

An effective program for removing conditions of chronic labor surplus requires both private and public action. It will perhaps be easier to deal with these measures under two headings: preventive and remedial.

A basic preventive measure is the maintenance of a high and growing level of production and income in the economy as a whole, because opportunities for industrial growth and for the attraction of new industry in any particular community will be better in a prosperous and growing economy than they will be under other conditions.

Given a prosperous and growing economy, the primary responsibility for preventive measures will rest with each community. In general, the best preventive measure is for a community to make itself or keep itself attractive to industry. This means that the community should have economical, efficient, and responsible government. It should have adequate planning and zoning for growth or for redevelopment. It should maintain a high level of community services and should coordinate its education and training facilities with business needs. If the community is heavily dependent upon a declining industry or industries, it will have a program of industrial development, preferably private, which seeks to obtain diversification into growth industries. In this connection, the community will probably establish some type of industrial foundation or industrial development company which is privately financed and which will be capable of financing one or more new industrial plants for lease to the industries which the community wishes to attract.

The preventive measures described have been successful not only as preventive measures, but even as remedial measures in a number of New England com-

munities; for example, in Nashua, N. H. It is obvious, however, that measures of this kind have not been developed fully or have been inadequate in the chronic labor surplus areas which remain in the region. There would be greater assurance of success in restoring these areas to complete economic health if outside assistance were available. This means assistance from the Federal or State Governments. Because the chronic labor surplus areas of New England are the result of the process of improving income standards in other parts of the United States, and because the development of such areas is often the result of national policies adopted in the public interest, it seems entirely reasonable to me that the cost of the additional programs necessary should be borne by the Federal Government and not by the States in which the chronic surplus labor areas are located.

The following measures would constitute a well-grounded remedial program for persistently surplus labor market areas:

1. *A survey of community resources and needs.*—Such a survey would be for the purpose of determining—

(a) The assets which a community has which are attractive to industry; for example, labor supply, labor skills, and training facilities; industrial sites and buildings; capital resources; community services, etc.

(b) What expanding industries need the location and assets which the community has. This part of the survey will assure the best use of the community's resources.

(c) What gaps exist in the structure of the community from the standpoint of its attractiveness to new industry.

This survey can be done by any one of a number of private organizations which specialize in this business, but it would be appropriate for the Federal Government to make matching grants-in-aid for such surveys through an agency well qualified to appraise these situations and to administer such funds.

2. *Financial assistance to construct new factory buildings or new community facilities.*—The survey of community assets and needs may well determine that the community needs either new factory space or some specialized new community facility in order to attract the type of industrial growth for which it is fitted. A need which has developed in New England is for second mortgage financing for new industrial plants built by community industrial foundations. Some assistance may also be needed to overcome such problems as extending water, sewage, or streets to service new industrial sites. Financial aid of this type can probably be provided by the present Small Business Administration with but little change in its authority or policies. I know that the Small Business Administration is alive to this problem in New England.

3. *Technical assistance to established employers in the area.*—The first logical line of approach to correcting labor surplus conditions should be to encourage the expansion of basic employment by employers already in the area. Some employers are not aware of the possibilities of diversification and of expansion into new lines. Some are not aware of new markets for their present line of products. Some are not aware of possible cost reductions that would improve their employment potential. It may be desirable to establish a type of extension service for industry comparable to the extension service for agriculture. This program could be carried out by private consulting and management firms on a cost-sharing basis between private employer and the Federal Government. A small amount of money spent in this direction may save much larger sums which would have to be spent for unemployment compensation and relief.

If such a program is adopted, it should not be based upon a test of whether the employer can afford to pay the whole cost himself. The limited experience with this type of operation indicates that the employer very often needs to be convinced that a consulting service would be useful to him. If this part of the program is adopted, there would have to be considerable administrative discretion granted to the agency administering the funds, but no large or permanent staff need be set up in view of the availability of these services from private firms.

4. *Accelerated depreciation for new plants and plant expansions in chronic labor surplus areas.*—The program of accelerated depreciation to expand defense facilities has resulted in an enormous expansion in defense production capacity. Since the visibility of business management is clouded by the fog of uncertainty as to the future, ability to recover the major part of new capital investment in a period of from 3 to 5 years is a strong stimulus to expansion. Existing administrative machinery can probably be readily extended to cover certificates

of necessity for plant expansion in chronic labor surplus areas whether or not the expansion is devoted to defense needs. The test to be applied would not be contribution to defense but contribution to local employment.

5. *Extension of unemployment insurance benefits beyond normal expiration periods to workers undergoing retraining.*—Experience has demonstrated a close affinity for the home community by a substantial part of the unemployed labor force in chronic labor surplus areas for reasons mentioned earlier. The community survey which is a part of this program (the first step listed above) will disclose surpluses and shortages of specific skills needed in the community by present and prospective employers. With the assistance of the employment service, needed skills in nearby communities can also be determined. On the basis of this information, training programs can be established to convert many workers from a surplus job classification into job classifications which are needed. If unemployed workers are offered retraining on a voluntary basis, they will be encouraged to take the right kind of retraining and to stay with it until their course is completed. This kind of encouragement would be provided by extending unemployment compensation to workers taking appropriate retraining courses for an additional period up to 26 weeks, or for the duration of the retraining course, whichever is shorter.

The cost of extended unemployment compensation benefits for retraining should be borne by the Federal Government (a) because obsolescence of skills is usually the result of shifts in a dynamic economy which are for the benefit of the public, and (b) because imposition of such cost upon either local communities or States would further aggravate the problem by increasing employment costs in the area affected. Potential new employers would be repelled by the prospect of higher unemployment compensation taxes resulting from the cost of retraining programs.

Long continuance of chronic labor surplus areas has given rise to dissatisfaction with the operation of the economy, and it is already evident that lack of a program adequate to deal with such areas has provoked resistance to changes which are in the interest of the whole economy. Unemployed workers and workers with limited or intermittent job opportunities develop an attitude of resistance to change and an exaggerated desire for job security. Security of a minimum income and of opportunity can be provided by measures other than the preservation of obsolete skills or obsolete plant locations. The movement toward higher levels of productivity and of income in the economy as a whole is heavily dependent upon willingness to accept change in occupation and in the location of specific types of economic activity. Establishment of a Federal program which would deal adequately with surplus labor market areas would be a small price to pay for maintenance of the kind of flexibility which is essential to rising productivity and income levels for the whole economy.

Senator SPARKMAN. Mr. Rутtenberg.

STATEMENT OF STANLEY H. RUTTENBERG, DIRECTOR, DEPARTMENT OF EDUCATION AND RESEARCH, CONGRESS OF INDUSTRIAL ORGANIZATIONS

Mr. RUTTENBERG. Mr. Chairman, besides my entire statement being included in the record, I would like to suggest this study which we did about 3 months ago on distressed areas as a national problem be included in the record at an appropriate point.

Senator SPARKMAN. Without objection, that will be done.

(A partial reprint of the material referred to is as follows:)

THE DISTRESSED AREA: A GROWING NATIONAL PROBLEM

Congress of Industrial Organizations, Department of Education and Research

Newspapers across the country headlined the good news that national output in May 1955 had at last overtaken the previous peak of springtime, 1953. Unfortunately, the fact that total unemployment in May was running more than a mil-

lion higher than 2 years before—despite the new production peak—was scarcely mentioned, if at all.

The tendency of employment to lag behind mounting production nevertheless does disturb many people. They realize that the twin factors of rising output per man-hour (productivity) and the constantly growing number of individuals in the job market (our expanding labor force) present a challenge that calls for effective planning and action if all Americans who are able and eager to work are to enjoy employment opportunities.

But, in addition to this nationwide problem, there is another and more localized aspect of the unemployment question which also demands our attention. We refer to the plight of many areas where a state of chronic unemployment exists—a special and exceedingly difficult problem which tends to be concealed by the overall statistics on national unemployment. These are communities where involuntary idleness is continuous and often acute even when most other parts of the country may be enjoying peak prosperity.

Surely, we cannot afford to ignore the special problems of these chronically depressed areas. Programs—both public and private in nature—must be developed to help these communities eradicate the idleness and economic decay which have infected them.

The areas of substantial labor surplus

The level of unemployment varies greatly among communities across the Nation. While the ranks of the jobless increased almost everywhere during the 1954 recession—last year 5 percent of the civilian labor force was unemployed, compared with 2.1 percent in May 1953 and 3.7 percent in July this year—the rate of idleness differs substantially from one locality to another.

Every 2 months the United States Department of Labor makes a job survey in the various "labor-market areas" throughout the country which highlights these differences and notes the changes which are occurring.

First, the unemployment rate in the 149 major labor-market areas in the United States is regularly checked. These are the Nation's largest production and employment centers: each has a population of at least 100,000 and includes at least 1 central city of over 50,000 and the area around it within commuting distance.

In addition, job changes in a limited number of smaller labor-market areas are checked. These are defined as localities outside the major areas, but each has a labor force of at least 15,000, or nonagricultural employment of at least 8,000. Labor Department studies in these smaller areas only occur if a special request is made by a mayor, a union, or a Congressman who is concerned over a local "distress" situation.

In areas smaller than these, however, no Federal unemployment check is made at all.

Here is what was revealed by the July 1955 report at a time when national production was breaking all-time records:

"Substantial" unemployment—at least 6 percent of the labor force reported idle—still existed in 31 of the 149 major labor-market areas. In 12 the jobless rate exceeded 9 percent; in 7 it was over 12 percent.

In addition, unemployment exceeded 6 percent in the 101 smaller labor-market areas in which a count was made. In some of these the jobless rate runs as high as 20 percent.

Thus, in the midst of a peak production boom a substantial labor surplus still exists in 132 major and smaller labor-market areas. Furthermore, these areas are not concentrated in a few isolated sections; they exist in 32 of the 48 States.

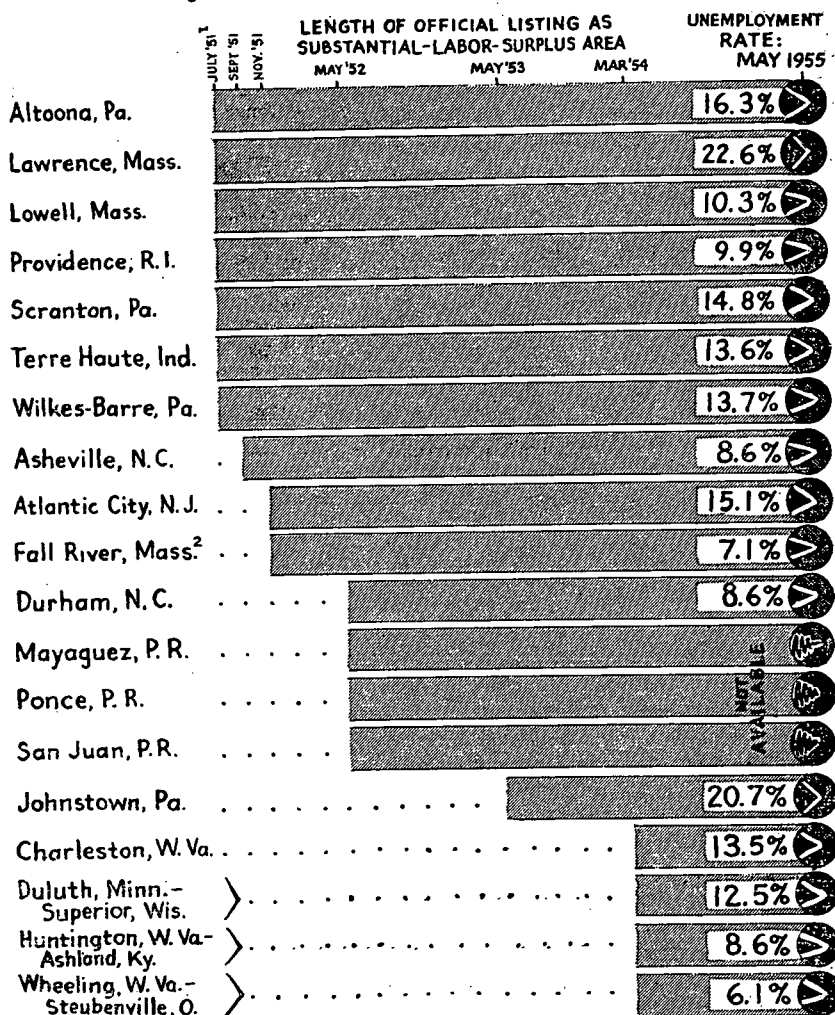
Areas of chronic depression

Changes in the overall economic situation, within a particular industry, or of a purely local character, result in constant changes in the official list of substantial-labor-surplus areas. Some disappear, at least for a time; others are added.

Yet, there are certain chronic-labor-surplus areas which never seem to drop off the list even at times when most of America's industries are booming.

Out of the 132 areas identified as suffering a substantial labor surplus in July, 1955, 67 localities—almost exactly one-half—are classified by the Department of Labor as areas with a "chronic labor surplus." Eighteen major labor-market areas and 49 smaller ones are now in this category.

The 19 Major Chronic Labor Surplus Areas*



* As identified by the U. S. Department of Labor.
¹ Listing began. ² Not continuous.

Guernsey-Montgomery for the Economic Outlook, CIO.

According to the Secretary of Labor many of these areas not only have been suffering from chronic heavy unemployment—in some cases for a decade and longer; in addition, “for the next 1- or 2-year periods, known employment expansions by firms now in the area are not of sufficient size to use fully the area’s present labor surplus.”¹

¹ Methods, Criteria, and Procedure Used in Classification of Labor Market Areas, U. S. Department of Labor, July 19, 1954.

Thus, in 67 major and smaller areas—located in 25 States and in Puerto Rico—persistent and substantial unemployment is not only chronic and continues today, even in the midst of unparalleled national prosperity; but in addition there is no foreseeable end to the depression in these communities.

The tragedy of chronic area unemployment has many causes: the exhaustion of a natural resource or a falling demand for it; the decline in an entire industry; lack of industrial diversification and the seasonal nature of existing employment; the closing of ordnance, shipyard, aircraft, or other defense facilities; the shut-down, in fact, of any dominant enterprise on which the community has depended as a major source of jobs.

GHOST TOWN NOT NEW

Years ago natural-resource depletion was the major factor causing community decline. The West is still dotted with ghost towns which once thrived on the mining of gold, silver, copper, zinc, and iron ore, and on the exploitation of forests which now have disappeared. In more recent times, however, it is more often the dynamic pace of technological change which directly or indirectly causes economic dislocation in modern American communities.

For example, the development of new fabrics and production methods has made older textile mills unprofitable and obsolete; in recent years they have closed by the score, and new ones have generally been built in the South, where manufacturers have been promised that wages and other production costs will be lower.

In areas in which textiles have been the mainstay, particularly in New England, the result has often been tragic. Despite valiant community efforts to bring in new industries, Lawrence and Lowell, Mass., are still suffering from chronic unemployment, at the rate of 22.6 and 10.3 percent, respectively. According to the July 1955 report, in Providence, R. I., another depressed textile area between 6 and 9 percent of the work force remains jobless.

Substitutes for coal—like gas and oil—have cut sharply into sales, while at the same time increased mechanization has been reducing jobs in the mines. As a consequence, persistent distress has overtaken Scranton, Wilkes-Barre, and Johnstown, Pa. (unemployment, 14.8, 13.7, and 20.7 percent, respectively) and dozens of other communities in Pennsylvania, West Virginia, Kentucky, and southern Illinois.

Employment in railroading has in turn been reduced as coal haulage has declined, the diesel has supplanted the steam engine, freight yards have become more mechanized, and competition from other forms of transport has increased. Terre Haute, Ind. (unemployment, 13.6 percent) and Altoona, Pa. (16.3 percent), owe their distressed status to the double impact of the decline in railroading and the related decline in coal.

The 13.5-percent unemployment rate in Charleston, W. Va., reflects the loss of many jobs because of the closing of a naval ordnance plant, in addition to the effect of reduced output of coal.

In Cumberland, Md.—an example of a smaller depressed area—almost 1 of every 5 workers was jobless in January 1955. In this locality the combined decline in coal mining, railroading, and textiles has hit the community with tragic force. Its largest workplace, the plant of the Celanese Corp., gave jobs to more than 11,000 during World War II; in January fewer than one-third of that number were on the payroll.

The plight of former textile, shoe, railroad, and coal-mining centers where chronic distress is now extreme is beginning to arouse wider concern. However, plant closings or drastic output reductions occur from time to time in almost every industry, and the result is just as catastrophic.

Technological developments constantly make old plants obsolete; new product demands are always arising; company consolidations and mergers affecting production are continuous; plants are always moving to areas considered more competitively advantageous. All these factors bring changes—sometimes almost overnight—which may produce another stranded American community.

Follansbee, W. Va., faced this fate a few months ago until its outraged citizens—aided by nationwide publicity—forced the abandonment of a plan to dismantle its steel mill and ship it elsewhere.

Dozens of other towns haven't been so fortunate.

In Iron Mountain, Mich., for example, the Ford station-wagon plant closed down at the end of 1951. This blow, plus the earlier loss of jobs in iron-ore mining, has left this smaller labor market area in a state of chronic distress (unemployment 12.4 percent).

Families can't just jack up and go

In earlier times few areas suffered the far-reaching effect of chronic unemployment which plagues us today.

The towns of the West that declined with exhaustion of their natural resources tended to be small and remote. Generally the depletion occurred gradually; workers were able to foresee the future. Furthermore, the population had no deep roots in these communities; the labor force often consisted of single men and workers who had left their families elsewhere.

Today the situation is entirely different.

The chronically distressed area of 1955 is not a remote and unimportant geographical outpost. At its center is an established community of homes, churches, schools, hospitals, commercial structures, waterworks, and all the other facilities essential to modern urban living. Over years and sometimes generations its citizens have invested millions of dollars to create a livable community.

Many distressed areas are large population centers. Terre Haute, for example, is a city of 64,000; Lawrence, 80,000; Scranton, 125,000; Duluth-Superior, 140,000; Providence, 248,000.

Today we just can't solve the surplus-labor problem of communities like these—and even of substantially smaller ones—by simply telling people to pack up and go. While young people often can be persuaded to migrate if jobs are available elsewhere, a mass population exodus just cannot occur.

Strong ties of family and tradition tend to hold most residents—but particularly the middle-aged and older—to their home towns even when job opportunities are declining. Furthermore, without reasonable assurance of another job somewhere else there is little incentive to move. Homeownership and, perhaps, a garden, assure shelter and some food. In addition, the prospect of leaving raises legitimate fears that unemployment insurance and public-assistance benefits might be lost. Sometimes, too, a member of the family still has a full- or part-time job which provides at least a minimum of family security that might be lost in a move to another locality. Almost always there is a lingering hope that somehow, sometime, the plant or some new enterprise will once again provide a job.

This reluctance to leave one's hometown is not peculiar to wage-earners alone. Doctors with years of practice behind them, storekeepers, teachers, and the host of other professional and business people whose services have become an established and indispensable part of the life of every modern community, are as deeply rooted as the worker. In most cases they, too, neither wish to depart nor can readily do so.

Modern communities—not expendable

If we but consider the loss to America in goods and services which these idle people could create but do not and the personal incomes which their employment would earn, the price we pay for indifference to the problem of the chronically unemployed adds up to hundreds of millions.

To this we must also add the tremendous social cost of maintaining entire areas in semi-idleness. In Pennsylvania, West Virginia, southern Illinois, and eastern Kentucky areas where the decline in coal is acutely felt—1,300,000 men, women, and children were receiving federally distributed surplus food in May, 1955. Many had long ago exhausted their unemployment compensation. Some receive public-assistance supplements; in many localities, however, little or no aid is available from the State, and local relief resources are limited or nonexistent.

From the viewpoint of national security alone—which dictates the preservation and dispersal of our productive resources—America cannot tolerate the deterioration of existing modern communities and the wasting away of the work skills of the people who live in these areas.

Surely, the task of restoring our chronically depressed areas to a state of economic health is not a local problem or responsibility alone. All of us have a stake in the outcome. The cooperative teamwork of the entire Nation is essential if this cancerous growth is to be eliminated.

"BOOTSTRAP" UNDERTAKINGS

There is far more wisdom in seeking ways to prevent economically distressed areas from coming into being than in concentrating solely on finding cures after community blight has set in. Prevention must be the major part of an attack on this economic disease; relief should have to be sought only occasionally—when the circumstances make it unavoidable.

Unfortunately, action generally is taken only after persistent and substantial unemployment has reached a critical stage; usually it is only then that the difficult and often heart-rending search for remedies begins. Besides, most of the load has been falling on the afflicted; communities already financially distressed and often dispirited. Yet these same communities have virtually been trying to lift themselves up by their own bootstraps in a brave uphill fight for economic survival.

Most often, after an area's major industry has already slowed down or shut down entirely, some form of communitywide economic development project is inaugurated in a belated effort to create new jobs. Generally the initiative comes from the mayor or a group of leading local citizens.

Case histories of several dozens of these local development projects are recorded, particularly those of distressed textile and coal-mining areas.

In Lawrence, for example, 18,000 out of 28,000 textile jobs remaining after World War II were lost by 1954. In 1950 the mayor set up a citizens industrial committee, and in 1952 a director was hired to canvass prospective new industries. The use of \$50,000 a year from public funds for promotional purposes was authorized. Later, \$150,000 was raised from public and private sources to provide credit, build new plants, and reconvert old ones in behalf of prospective new employers.

A few miles away the city of Lowell, also a depressed textile town, has formed a capital development and industrial commission and appropriated \$40,000 a year from tax funds for its work. In addition, \$120,000 has been subscribed by local businessmen to establish a 110-acre industrial park and build a modern factory building on it.

In Nashua, N. H., when the Textron Co. closed its mill in 1948 and 3,600 workers were scheduled to lose their jobs, an industrial committee was formed by a group of local businessmen to purchase the mill and lease space within it to new enterprises.

In the Scranton area jobs in anthracite mining have fallen off from about 40,000 in 1930 to about 9,000 today. Following World War II the Scranton plan was inaugurated in an effort to achieve an industrial comeback. More than \$1 million was raised locally to buy a modern surplus war plant from the Federal Government, and it was then leased to a household-appliance manufacturer. Business, labor, and community leaders then raised another \$2,500,000 for the purpose of building plants for new industries and to expand existing ones.

In Pottsville, Pa.—another depressed mining area—an industrial development corporation was set up in 1952, and it raised \$462,000 through local contributions for the construction of new industrial buildings. In neighboring Mauch Chunk a "nickel-a-week plan," based on contributions of 5 cents each week for 5 years from all of the 6,000 inhabitants of the community, seeks to raise funds to attract new enterprises.

Wilkes-Barre, Pa., in 1952 raised \$700,000 for its Operation Jobs following an earlier fund-raising campaign.

Altoona, Pa., was faced with the threat of a major job loss in 1945 when the Pennsylvania Railroad, its only large employer, began to replace steam engines with diesels. In 1946 Altoona Enterprises was set up, and more than \$1 million has been raised for the construction of new plants.

Fund-raising—Only a partial answer

Although all of these local bootstrap operations—and a score of others—have succeeded in raising some funds from the citizens of the afflicted areas, few of

the community-development projects have come close to achieving their employment goals.

In addition to the formidable task of fund-raising in order to finance the effort to entice new employers into the community, there is a host of other problems which must be surmounted.

In the first place, a substantial period of time usually elapses between the onset of unemployment and the creation of new and permanent jobs. Therefore, a major problem is to provide either temporary work for those who have been displaced or support for jobless families, particularly after they have exhausted their unemployment-compensation benefits.

Furthermore, the problem of attracting new enterprises into a community is far more difficult and complex than is often visualized.

The mere fact that a substantial labor surplus is available and that a cooperative group of citizens is willing to help finance new enterprises generally is not enough to attract them. There are many additional factors which interest prospective employers:

Does the area meet the needs of a particular enterprise with respect to the proximity of raw materials? Is a market for its products close at hand? Are adequate railroads and railroad sidings, truck routes, or waterways available to transport goods in and out of the area? Are power-resources abundant and reasonably priced? Does the locality provide sufficient water and sewerage facilities to meet industrial needs? Is the community an attractive place in which to live?

These are only some of the more important considerations—in addition to the availability of labor and the financial aids which may be volunteered by the community—which affect the decisions of businessmen when they weigh plant-location alternatives.

Finally, when substitute sources of employment are ultimately drawn into the area, a further question arises: Do the newly created jobs fit the qualifications and employment needs of the originally displaced workers with respect to age, sex, rates of pay, and the utilization of existing skills? Or do the new employment opportunities largely pass them by?

Outside aid—Limited

Clearly, even though an industrial development corporation may be able to accumulate a substantial sum to help finance new plants—and this is by no means easy in a distressed area—the community has many other problems to solve and obstacles to hurdle.

If transportation, power, and other industrial facilities are inadequate, it is hardly within the means of the local development group to improve them unaided. Furthermore, local citizens generally haven't enough experience to accumulate all the necessary technical information about area resources, about market potentialities, and about industries and companies throughout the country that are currently expanding and might be persuaded to locate in the vicinity.

While outside aid to assist depressed areas to meet these needs is clearly required, it has been far too slow in developing.

In a few States the department of commerce or another State agency provides limited technical assistance. At the Federal level a small unit of the United States Department of Commerce, called the Area Development Division, gives some aid to local depressed areas through the distribution of informational bulletins and by making occasional field investigations.

The Office of Defense Mobilization of the Federal Government, on the other hand, has initiated two important forms of aid which, if substantially broadened, can do much to help chronically distressed areas.

The first encourages defense industries to build or expand their plants in substantial labor surplus areas by granting special fast tax writeoff allowances on capital invested in these communities. The second directs the Defense Department to place military procurement contracts in areas of substantial labor surplus areas, provided the cost is comparable to that of Federal contracts which are placed elsewhere for similar items.

THE 132 AREAS IN 32 STATES IN WHICH A SUBSTANTIAL LABOR SURPLUS EXISTS

(UNEMPLOYMENT OF 6 PERCENT AND OVER)

(As reported in July 1955 by the United States Department of Labor)

THIRTY-ONE MAJOR AREAS¹

19 areas with unemployment 6 to 9 percent:

State	Area
California	San Diego
Indiana	South Bend
Massachusetts	Fall River
Minnesota-Wisconsin	Duluth-Superior
New Jersey	Atlantic City, Paterson
New York	Utica-Rome
North Carolina	Asheville, Durham
Oregon	Portland
Pennsylvania	Philadelphia, Pittsburgh, Reading
Puerto Rico	San Juan
Rhode Island	Providence
Tennessee	Chattanooga, Knoxville
Washington	Tacoma
West Virginia-Kentucky	Huntington-Ashland

5 areas with unemployment 9 to 12 percent:

Indiana	Terre Haute ²
Massachusetts	Lowell, New Bedford
Pennsylvania	Erie
Puerto Rico	Ponce

7 areas with unemployment 12 percent and over:

Massachusetts	Lawrence
Pennsylvania	Altoona, Johnstown, Scranton, Wilkes-Barre-Hazleton
Puerto Rico	Mayaguez
West Virginia	Charleston

101 SMALLER AREAS WITH UNEMPLOYMENT OF 6 PERCENT AND OVER³

State	Area
Alabama	Alexander City, Anniston, Decatur, Florence-Sheffield, Jasper, Talladega
Arkansas	Fort Smith
Connecticut	Bristol, Danielson, Torrington
Georgia	Cedartown-Rockmart, Cordele
Illinois	Harrisburg, Herrin-Murphysboro-West Frankfort, Litchfield, Mount Carmel-Olney, Mount Vernon
Indiana	Michigan City-Laporte, Muncie, Vincennes
Iowa	Burlington
Kansas	Pittsburg
Kentucky	Corbin, Frankfort, Hazard, Henderson, Madisonville, Middlesboro-Harlan, Morehead-Grayson, Owensboro, Paintsville-Prestonburg, Pikesville-Williamson
Maine	Biddleford-Sanford
Maryland	Cumberland
Massachusetts	Fitchburg, Milford, Southbridge-Webster
Michigan	Escanaba, Iron Mountain, Marquette
Mississippi	Greenville
Missouri	Joplin
New Jersey	Bridgeton, Long Branch

¹ Out of 149 major areas. For definition of a major area see p. 50.² Although unemployment was in excess of 12 percent in these areas, favorable employment outlook at the latest survey placed them in the 9 to 12 percent classification, under Department of Labor criteria.³ In its July report the Department of Labor did not show the degree of unemployment over 6 percent for smaller areas. In some cases, however, it exceeds 20 percent.

NOTE.—The 67 areas in bold face are officially identified as "chronic labor surplus areas" by the U. S. Department of Labor. For definition see page 50.

101 SMALLER AREAS WITH UNEMPLOYMENT OF 6 PERCENT AND OVER^a—continued

State	Area
New York	Amsterdam, Auburn, Gloversville, Hudson, Olean-Salamanca, Oswego-Fulton
North Carolina	Fayetteville, Kinston, Rocky Mount, Shelby-Kings Mountain, Waynesville
Ohio	Athens-Logan-Nelsonville, Cambridge, Marietta, New Philadelphia-Dover, Springfield, Zanesville
Oklahoma	McAlester, Muskogee
Pennsylvania	Berwick-Bloomsburg, Butler, Clearfield-DuBois, Indiana, Kittanning-Ford City, Lewistown, Lock Haven, Meadville, New Castle, Oil City-Franklin-Titusville, Pottsville, Sunbury-Shamokin-Mount Carmel, Uniontown-Connellsville, Williamsport, St. Marys.
South Carolina	Marion-Dillon, Walterboro
Tennessee	Bristol-Johnson City-Kingsport, LaFollette-Jellico-Tazewell, Newport
Texas	Texarkana
Vermont	Burlington, Springfield
Virginia	Big Stone Gap-Appalachia, Covington-Clifton Forge, Radford-Pulaski, Richlands-Bluefield
West Virginia	Beckley, Bluefield, Clarksburg, Fairmont, Logan, Morgantown, Parkersburg, Point Pleasant-Gallipolis, Ronceverte-White Sulphur Springs, Welch
Wisconsin	La Crosse

Finally, the Federal Government, as we have seen, has recently begun to distribute Government-owned surplus food to the unemployed in chronically distressed areas when a local request is made. While this assistance is often critically needed, it is far from adequate to meet the basic needs of hundreds of thousands of Americans in distressed areas who have exhausted their unemployment compensation or for whom local relief is now insufficient or nonexistent.

Ballyhoo—No answer

Eighteen months ago² Barron's, a business magazine, took a quick look at several of the industrial-development corporations located primarily in New England and concluded that there just needn't be any depressed areas "if men take action for themselves." The magazine went on to reveal its prejudice against Federal aid by claiming—totally without justification—that "when the Federal Government has intervened, it has just messed things up."

Between 1952 and 1954 Time magazine also gave its readers several cheerful reports on the Yankee Renaissance in Nashua, in Lawrence, and elsewhere in New England. When challenged about some of its facts and conclusions, Time answered that its research had been completely confirmed by the Lawrence Chamber of Commerce, an organization that would naturally tend to view the local scene through rose-colored glasses.

It is obviously desirable that the citizens in distressed areas make even more intense efforts themselves toward reviving their economies: the drive for community rehabilitation surely must begin at home. But the national programs which are necessary to supplement local ones are not likely to gain public understanding or support when newspapers or magazines or overzealous local boosters—no matter how well intentioned—lead the public to believe that the chronic unemployment problem has practically been solved.

Official statistics and impartial studies show that this problem is far from being solved.

Despite the nationwide industrial expansion of the last 15 years, and notwithstanding valiant local efforts to stage a comeback, Lawrence, Lowell, Scranton, Pottsville, Wilkes-Barre, and Altoona, all continue to suffer extreme unemployment, ranging from 13.7 to 22.6 percent. Even in the midst of America's greatest production boom, these distressed areas and 60 others are failing to attract enough new enterprises—with or without whatever State and Federal aid is currently available—to alleviate their chronic unemployment.

² Jan. 11, 1954.

Too often, even when a substantial number of new jobs is created, they are still too few and do not necessarily fulfill the job needs of the displaced workers.

Recently a comprehensive study of unemployed textile workers in New England—primarily in the Lawrence, Lowell, Fall River, and New Bedford areas—came up with some startling findings.³

While an intense local campaign has brought new jobs into all of these communities and various growth industries have helped broaden the industrial base, the study concludes that:

"Fewer than half of the displaced [textile] workers were reemployed. And two-thirds of those who found jobs were earning less; in some cases the decline in wages was substantial."

The plight of the older workers—whose earlier displacement has already brought on the irretrievable loss of valuable seniority, vacation, and pension rights—is particularly tragic. According to the study:

"Although not all the younger workers had found jobs, those under 40 were relatively more successful than those past this age. Many of those between the ages of 40 and 65 felt they were being prematurely forced out of the labor market."

Many displaced textile workers contacted in the survey "had been continuously unemployed since their initial layoff, and in some cases this took place 2 years or more before our survey. Instead of employing displaced textile workers in large numbers, it appears that growth industries are employing new entrants into the labor force."

Even in Nashua, N. H., where the Yankee Renaissance has been achieved, according to Time magazine, the new companies lured into the community are paying as little as 80 cents an hour—65 cents less than the area's average textile rate of \$1.45. Furthermore, "They have little interest in hiring textile workers who used to work in the same plant before Textron killed it," maintained the Textile Workers Union representative in the area.

The difficulties of former textile workers in readjusting to new employment also confront displaced coal miners, railroad workers, and many other former employees of industries which have closed down and left a stranded community behind them. Clearly, it isn't enough for the local development leaders merely to assume that if new jobs can be created, job placement will automatically take care of itself. Displaced workers must be retrained if they are to obtain employment in new enterprises, and at wages reasonably comparable to those they have enjoyed before.

Inevitably—A national problem

More and more Americans are beginning to realize that chronic unemployment is a problem that necessarily calls for effective teamwork—local, State, and Federal.

Once economic distress has set in, the initial effort to find a cure must begin, of course, at the local level. But in addition, outside technical assistance is needed to help study the locality's resource potential, to assist in improving its industrial and other community facilities, and to help find and finance expanding enterprises that might be encouraged to utilize the assets of the area. Assistance, too, is critically needed to provide temporary employment or adequate relief for distressed families while the drive to create new, permanent jobs is under way. Finally, aid must be forthcoming to help retrain displaced workers so they can be prepared for employment in the new enterprises.

Back in 1952 Candidate Eisenhower gave voice to his awareness of Federal responsibility toward distressed areas when he told the people of Lawrence that after his election "You will have a friendly government interested in these things." He urged that a committee of Lawrence citizens "come to my office directly" after the Republican victory, and he assured his listeners that such a delegation "will never have to meet with some third-rate clerk in a back room."

Unfortunately no significant progress in the relief of distressed areas has been accomplished since the new administration has taken over. On the contrary, the situation is somewhat worse. In Lawrence, where 20.9 percent of the labor force was reported idle in January 1953, 22.9 percent was out of work in May 1955, as we have seen. For the Nation as a whole, 18 major and 19 smaller labor-market areas were reported in January 1953 to be areas of substantial labor surplus. In July 1955, it should be recalled, areas so classified numbered 31 and 101, respectively.

³ Inter-Industry Labor Mobility, by William Miernyk, published by Northeastern University, Boston, Mass., 1955.

Last March the Joint Congressional Committee on the Economic Report unanimously declared: "We are very concerned with distressed conditions which persist in certain industries and regions even in an expanding economy * * *. The Federal Government should recognize its responsibility." It then recommended action to alleviate chronic unemployment through public works, construction loans, technical assistance, area development programs, changes in the unemployment-compensation system, worker retraining, and research to discover new products and processes.

During the course of the 84th Congress several Representatives have introduced bills which seek by various means to aid our chronically distressed areas. Yet as of this time no comprehensive legislation to attack broadly the evil of community decay has been presented to the Congress by the Republican administration.

Almost 10 years ago Congress declared in the preamble of the Employment Act of 1946: "It is the continuing policy and responsibility of the Federal Government * * * with the assistance and cooperation of industry, agriculture, labor, and State and local governments, to coordinate and utilize all of its plans, functions, and resources for the purpose of creating and maintaining * * * maximum employment."

In seeking to achieve this objective surely the Federal Government must recognize and deal with unemployment as a local and not merely as a national problem.

A minimum Federal program

If all existing Federal functions and resources were effectively utilized for the relief of distressed areas; if 2 or 3 additional constructive forms of aid were developed; and if this total Federal effort were then closely coordinated with the efforts of the States and local communities, a truly effective attack on chronic unemployment would be underway.

Here in brief is the minimum program which the Federal Government should now undertake:

Coordinated administration.—A single agency in Washington, such as a Federal Community Development Authority, should be set up and charged with directing and coordinating all aid to distressed areas at the Federal level. Its Administrator should chair an interagency advisory committee on which all agencies of the Federal Government responsible for contributing to the aid of distressed areas were represented. He should also meet with a public advisory committee—to include representatives of labor, industry, and State and local governments—to which reports on progress and special problems should frequently be made.

Technical assistance.—Substantially increased Federal aid should be made available to local and State community-development committees—on which labor should of course be represented—that deal with distressed-area problems. They should be helped to assess the industrial resources of their localities, make market surveys, and determine needs for industrial and community facilities; they should be provided with advice about methods of financing; and they should be given aid in identifying the types of expanding enterprise that might be drawn into the afflicted areas.

All the appropriate agencies of the Federal Government should be utilized, furthermore, to promote research to discover new products and processes that may aid in the economic rehabilitation of distressed areas.

Public works.—If the construction of urgently needed public facilities could be accelerated in distressed areas, the dual purpose of making these areas more attractive to new enterprises and at the same time providing at least temporary jobs for the unemployed would be served.

Priority should immediately be given to distressed localities in the allocation of construction contracts which are financed either wholly or in part by the Federal Government. These include such projects as highways, hospitals, bridges, Federal buildings, ordnance plants and supply depots, river and harbor improvements, slum-clearance, and similar federally supported undertakings.

A recent Commerce Department survey reveals the urgent need for a \$200 billion investment over the next 10 years by the States and by local governments to provide critically needed schools, roads, water and sewerage facilities, and other public works. Federal assistance should be given to expedite this State and local construction in distressed areas by granting Federal loans to appropriate public bodies when local and State financing at reasonable rates is not

otherwise available. In cases of extreme hardship direct Federal grants should be provided.

Loans to private investors.—For many years the Federal Government has been aiding homeowners, small-business enterprises, and many other groups through direct or Government-insured loans when such assistance was deemed necessary in the national interest.

Loans should now be extended to private investors who build factories or other facilities or expand existing ones in areas of chronic unemployment. These loans should be granted when adequate financing is not otherwise available on reasonable terms, and they should be allowed for up to 40 years and be extended to cover as much as two-thirds of construction costs.

These Federal loans must not be granted, however, to any enterprise that simply would be moving from a presently depressed area or whose removal would create one.

Fast tax writeoffs.—Businessmen who build plants or expand facilities in distressed areas should receive accelerated tax-amortization benefits, even when this investment is not for national-defense purposes.

Procurement.—All departments and agencies of the Federal Government—in addition to the Defense Department—engaged in buying supplies and services should be required to make a maximum effort to place contracts in areas of substantial and persistent unemployment, and compliance with this order should be strictly enforced.

In addition, production in Government-owned facilities in these areas—such as in ordnance plants and shipyards—should be maintained at the highest possible level consistent with defense requirements.

Training and transportation.—Funds should be made available to appropriate Federal, State, and local agencies to finance special retraining programs for the unemployed in distressed communities. In addition, when no job is available for a displaced worker within the labor-market area but suitable employment, acceptable to him, can be obtained outside it, funds should also be provided to assist the worker to meet the cost of transporting his dependents and his household effects. These special training and transportation services in behalf of workers in distressed areas should be financed by funds from the Federal Unemployment Account, which are accumulated from contributions from employers.

Unemployment compensation.—The amount and duration of benefits are inadequate under all State programs, and a Federal minimum standard, at least, should be enacted immediately. In addition, jobless workers in distressed areas should be granted supplementary benefits for an extended period beyond the duration of their regular benefit.

Pensions.—The Federal pension system should be modified in a manner that would make it possible for displaced older workers to obtain benefits before the age of 65.

Just before Congress left Washington for its summer recess, Senator Douglas of Illinois—who serves as chairman of the Joint Congressional Committee on the Economic Report—introduced a comprehensive bill (S. 2663) entitled "The Depressed Areas Act." Many of the proposals listed above are supported in detail in this proposed legislation, which is being cosponsored by Senators Humphrey, Kefauver, Kilgore, McNamara, Murray, and Neely.

Hearings on S. 2663 before the Senate Committee on Labor and Public Welfare should be scheduled immediately. They will provide a long-needed public forum at which every constructive proposal to alleviate local economic distress can be brought forth and analyzed. Then, when Congress reconvenes in January, legislation could be ready for enactment.

An expanding economy essential

If the American economy as a whole slips backward or even fails to expand steadily, the numbers of labor-surplus areas and those that are chronically depressed will rise. In this unfortunate event the local community approach to the problem of unemployment would become almost futile. Distress would increasingly assume a nationwide proportion.

But even in a constantly expanding economy—the kind we must have if full employment on the whole is to be achieved—sole reliance on finding a cure for local distress is not enough. An aggressive effort must also be directed toward preventing the emergence of new areas of persistent and substantial unemployment.

Neither the elimination of all causes nor a successful cure in all cases can be hoped for. Mines must shut down when resources are exhausted; and, in our dynamic society, some plants will inevitably close for technological reasons, while

others will move closer to raw-material sources and market outlets. And, occasionally, little can be done to rehabilitate an isolated community.

Yet, in many instances, local distress could have been averted, and there is much that can be done to prevent new areas of chronic unemployment from emerging in the future.

In the first place, steps must be taken to end factory pirating—a practice which exploits both the community which is forsaken and the one that has found itself a benefactor. It is not being argued that the right of business to move at will should be abridged. But the runaway shop abuses this freedom.

In recent years, for example, hundreds of companies in the textile, shoe, hosiery, clothing, and other industries, have abandoned established communities, not alone because of raw-material, market, or technological factors, but more often to obtain competitive advantages elsewhere which are socially evil.

The prospective advantage of paying sweatshop wages and minimum welfare benefits is the prime incentive for this kind of plant relocation. Low benefit levels under State unemployment insurance and workmen's compensation laws, and a local community dedicated to keeping unions out, are major inducements to the industrial runaway.

Sometimes even new plants are built for these operators from the proceeds of the sale of public bonds, the interest on which is exempt from Federal taxes; thereby the cost is shifted to all Americans. In addition, these runaway arrivals often obtain exemption from local taxes, so that the cost of the public services they enjoy becomes in effect a subsidy from others.

Just as these sweatshop operators are indifferent to the huge social costs they inflict on the distressed communities they leave behind them, so too do they exploit the misguided hospitality of the community which lures them.

But even worse, the hidden subsidies these runaways extract from workers and taxpayers alike provide a business advantage which threatens every decent competitor, his workers, and the community in which he carries on his enterprise.

Fair competition needed

Is it not time that this abuse of freedom as it applies to our free-enterprise system be ended? It can be, if Congress takes effective action.

Federal tax laws must be amended. Minimum Federal standards for unemployment and workmen's compensation must be enacted. The antiunion States rights provisions of the Taft-Hartley law must be scrapped. The outrageous Fulbright amendment to the Public Contracts Act must be repealed.

Actually, when Congress recently raised the Federal minimum wage, it not only recognized the need for higher family income, but, by helping to elevate the national standard of fair competition, it took effective action to deter the creation of new depressed areas in the future.

Further courageous congressional action is needed to check plant piracy and the community blight which it brings about.

But, in addition, American business leaders themselves will have to develop a greater sense of responsibility toward the communities in which they operate.

The decision to close obsolete plants and open new ones is rightly a management prerogative. Furthermore, technological change is basic to our national welfare—if it is geared, that is, to human and community needs as well as to the profit motive.

Unfortunately, the record of the past is not a commendable one. Some of our largest corporations have left a trail of human misery and community distress behind them by deserting localities which had served them well for many years.

Recall what happened in Cumberland when the Celanese Corp. (Dupont-owned) reduced employment by two-thirds; in Iron Mountain, Mich., when Ford closed down; in Altoona, when the Pennsylvania Railroad switched to diesels.

Similarly, Schenectady, N. Y., and Erie, Pa., have suffered the loss of thousands of jobs in the plants of General Electric, even while this company was expanding its operations elsewhere. Auburn, N. Y., has suffered the same way by the action of International Harvester, while jobs have melted away at New Kensington, Pa., at what had long been known as the home plant of the Aluminum Company of America. Cambridge, Ohio, and New Castle Pa., even today have not fully recovered from the impact of the shutdowns of the United States Steel Corp. which took place over 15 years ago.

This is but a random list; no record is kept—not even by the Labor Department's special Bureau of Employment Security. Yet in each one of these cases the company action begets still one more area of substantial and often chronic

unemployment. And even in July 1955 as the Nation was reaching a new all-time production peak, every one of the communities mentioned above could be found on the substantial-labor-surplus list.

Management must lead

Surely American business—whether large or small—can no longer be allowed to ignore its community responsibility.

Today every corporation board of directors must fulfill a public trust as well as a private one; the effect of every action on the community welfare must now be carefully weighed.

Could not a new plant or expanded operation be profitably located where one has heretofore existed, instead of moving to another locality, so that at least the present labor force can continue to be employed? Too often, the record shows, the local problem is hardly considered at all.

If the shutdown is unavoidable, then, is proper action taken to alleviate the effect upon individual workers upon the community? Are the workers and community informed well in advance? Are employees retrained, if necessary, and given an opportunity to work in the new or an existing operation of the company?

Even if all of this is done, there are still other responsibilities to workers who remain behind and to the other citizens of what could soon become another depressed area. More important than any other concern, does the outgoing corporation make a maximum effort to obtain a suitable replacement for itself?

In the future, indifference to these problems will be even more costly to America than it is today or has been in the past. The development of automation and the impending widespread use of atomic power are already heralded as the coming second industrial revolution. In all kinds of enterprise the obsolescence of existing machines and factories is expected to increase rapidly.

These changes—and they are already under way—compound the threat to both older workers and many of the communities in which they live. Management is already showing a desire to place young and new employees in their automated plants instead of reemploying those who have been displaced by new machines. At the same time, a rapid increase in new-plant construction in response to the new technology threatens an acceleration of company departures from old, established communities which have become dependent on them.

While some business leaders show a commendable concern over the problem of distressed areas, now is the time, more than ever before, for American management as a whole to restrain itself out of consideration for community needs. And in arousing this new sense of public dedication, surely the giants of American industry should lead the way.

Our 500 largest corporations employ 44 percent of all the workers and own 56 percent of all the assets in manufacturing and mining, according to Fortune magazine.

They themselves can do much to prevent the emergence of new distressed areas, since they account for half of all industrial activity in the United States. And by their example they can do much to awaken the remaining half to an awareness of their public responsibility.

Mr. RUTTENBERG. This problem of distressed areas is a persistent one. I do not need, I think, to dwell much on the point that distressed areas is a persistent one. In a full-employment economy as we have had during most of the post-World War II period, and as we probably will have in the future, we will continue to be confronted with distressed areas specifically. I do not think there is much quarrel with this general notion. In the face of the magnitude and persistency of the area distressed problem, there seems to be few leaders in public life now who declare that nothing should be done.

Currently, as a matter of fact, the conservative commentators may readily admit that the problem exists, but they then hastily add that hometown folks, if energetic, ought to be perfectly able to cope with it. Surely these local efforts are essential, and the drive for economic recovery must begin at home. Too often, though, the results are disappointing and generally new jobs that are created are less than sufficient. Often the replaced workers are not the ones who are em-

ployed, and frequently the wages paid on the new jobs are far below those that originally prevailed in the area.

For example, for several years the local redevelopment activities of Lowell, Lawrence, Scranton, Altoona, Wilkes-Barre have been at most those mostly praised and publicized. Yet even in the prosperous year 1955, these communities continued to turn up regularly on the substantial-labor-surplus list. Gradually it is becoming more widely recognized that more than a local effort is required to meet the distressed-area problem.

It is well to hear Dr. Arthur Burns, chairman of the Council of Economic Advisers, 3 years after President Eisenhower in his 1952 campaign pledged to do something about this problem of distressed areas, come out and announce that the administration has a program. Unfortunately, he didn't detail that program, but he did say that the program would include three areas: One, coordination of existing Federal services; second, technical advice; and third, some form of Federal loans or grants to the affected local communities to be provided on a matching basis.

The proposed items 1 and 2 of coordination and technical assistance have little significance if they stand alone. It is item 3, which he said was Federal loans and grants and tangible direct Federal financial assistance, which is critically important. It is this vital ingredient to the success of the entire program that we fear is most likely to be neglected.

An effective program of aid to distressed areas, in addition to technical advice, must include a variety of measures to (1) provide immediate relief for the unemployed, and (2) stimulate a longer-run program to restore permanent job opportunities. The need for this many-sided approach is recognized by Senator Paul Douglas and is encompassed in the bill he has introduced recently to alleviate area distress.

The first objective calls for several forms of action: Supplementary Federal relief assistance if local and State resources cannot maintain minimum standards of family health and decency; direct Federal administration of the distribution of surplus Federal foods where local machinery is nonexistent; supplementary and extended unemployment compensation; payment of transportation costs for outmigrating workers for whom suitable employment can be found elsewhere; and modification of the Federal pension system so that displaced older workers not yet 65 can draw benefits.

These are the programs relating to the specific relief for the unemployed.

Constructive long-range actions to help create new employment opportunities also must take many forms.

Job opportunities for displaced workers should immediately be provided by the inauguration of public works, a critical need in almost all of the distressed areas. Federal loans and grants should be made available for this purpose.

Existing plants in these areas should be given a priority by all Government departments and agencies when goods or services are contracted for by the Federal Government.

Direct loans on favorable terms should be provided by local redevelopment organizations to build facilities for prospective employers. Federal loans should also be made directly to qualified employers for plant-construction purposes.

In addition, businessmen who build plants or expand existing facilities in distressed areas should receive accelerated tax-amortization benefits—a privilege now restricted to defense-related enterprises.

Furthermore, Federal aid is so essential to help train displaced workers to acquire new skills which may be necessary to insure their employment in enterprises scheduled to come into the area.

All of these forms of Federal assistance should be geared to meet the needs expressly of the substantial labor-surplus areas. The migratory employer, however, who simply seeks to move his facility in order to exploit a distressed area and enjoy special Federal benefits there, should, of course, be barred from receiving them.

Many parts of a coordinated Federal attack on the distressed-area problem can be launched by effectively directing existing Federal functions and resources toward that end.

Federal contracts and small-business loans should be more fully directed toward aiding these stricken communities; the existing technical services of the Area Development Division, now in the Department of Commerce, should be substantially expanded; the Bureau of Employment Security and the Office of Vocational Education could be recruited to broaden their labor-market surveys, undertake the retraining of displaced workers, and to administer supplementary and extended unemployment compensation and special aids for out-migrating workers.

These and similar opportunities, as well as the indispensable Federal loans and grants for local public works, factory construction, and the preparation of industrial sites, will only be realized, however, if the administration boldly fights for them. Unfortunately, too many other great crusades have never gone beyond newspaper headlines because the will and the vigor to actually launch them have soon disappeared.

While local initiative is basic to the success of any industrial rehabilitation undertaking, Federal cooperation and financial aid is also essential.

I have outlined two specific areas of programs, one to relieve the unemployed worker in those areas and help him rehabilitate himself and tide himself over during the distress; and, two, the more long-range program to develop job opportunities in the area.

I would like now to discuss the local, State tax resource problem. The State and local financial problems are such in meeting their local problems of housing, of schools, of roads, mental hospitals, institutional activities of the State, et cetera, that their tax resources are now taxed almost to the limit. To require that the resources of the local community must be the sole source to help distressed areas is a vital mistake. This must be a Federal program. State and local governments need help. They need much more than what appears to be Dr. Arthur Burns' program of having the Federal partner cheer on the rest of the hard-pressed team. That is about all it seems to me that Dr. Burns' program does.

Finally, I wish to emphasize that Federal action is as necessary to prevent new areas of industrial distress from arising in the future as it is to alleviate chronic area unemployment after it already has set in. . . . Prevention, when possible, is surely as important as a cure.

There are three significant ways by which Federal policy can do much to retard the growth of depressed industrial areas in the years

ahead and the tragic impoverishment of family life which this misfortune brings about.

Earlier testimony before this committee has highlighted the special problems of low-income rural families, so largely concentrated in the South. Hundreds of thousands of these submarginal farm families must either migrate or obtain employment in local nonagricultural enterprises if more adequate family incomes are to be secured.

Organized labor hopes for a constant expansion of all forms of non-agricultural employment in all parts of the Nation so that job opportunities for all families may increase. We are heartened by the recent absorption of thousands of low-income rural families into industrial enterprises in regions throughout the country. We are encouraged by the absorption of additional thousands by expanding industrial enterprises in the South.

It does not serve the Nation well, however, when migratory employers, enticed solely by the prospect of low wages, free plants, tax avoidance, and submarginal social-welfare systems, move into rural southern areas, while, at the same time, they create tragic distress in the industrial communities they forsake in the North.

This method of robbing Peter to pay Paul has disastrous economic and social consequences. Just as the migratory employer is indifferent to the misfortune of the community he deserts, so, too, does he exploit the misguided hospitality of the one that lures him in.

While plant relocation can often be justified for legitimate economic reasons, Federal policies should no longer encourage the enticement of plants away from their present locations for other reasons.

If there can be any justification at all for Federal tax exemption on the interest received by owners of municipal bonds, surely there can be none when the bond issue is used to build plants at bargain rates for employers who leave stranded communities behind them. This glaring defect in the Federal tax system should be boldly exposed by this committee.

Similarly, it would be useful for this committee to investigate the degree that submarginal workmen's compensation and unemployment insurance systems are deliberately maintained by various States to add another inducement for the sweatshop migratory employer.

In addition, it would be highly relevant to examine the extent to which existing Federal laws governing industrial relations encourage action by several States which deliberately retards union organization and thus serves as still one more inducement to the unethical migratory employer.

These are matters which affect commerce between the States and they go to the heart of the problem which this committee has undertaken to examine. Clearly the enactment of adequate Federal minimum standards of fair competition is long overdue. Only Federal action can prevent the emergence of new areas of industrial distress as a consequence of plant piracy in the future.

I might point out very clearly that this is not exclusively a North-South problem because the same exists between communities in the North as would exist between communities in the South, or between North and South.

This problem needs to be carefully looked into.

I would like particularly to call attention to a very excellent study that has been done on the problem of migration of plants by the

American Federation of Labor. In line with the forthcoming unity of the CIO and the A. F. of L., I would like to commend this to the attention and study of the committee.

Another area that needs attention is that of resource development. The resources of an area which so substantially affect its industrial well-being are by no means entirely dependent upon acts of nature. Critically important resources, such as power and transportation, for example, are in large measure brought into being by the contributory acts of man.

While in some areas of the Nation public and private enterprise have created a comparative abundance of transportation facilities and electrical power resources, the needs of other regions, like New England, remain relatively unmet.

The rise or stagnation of an entire region and the opportunities for improved living standards for the people who inhabit it, are directly related to resource development.

Consequently, it is relevant to the issues being studied by this committee to review the impact of Federal actions as they relate to the equitable development of the resource potential of all regions of the United States.

I would like to suggest in closing that no study of this problem of distressed areas is complete, it seems to me, without hearing what the owners and managers of America's giant corporations think their responsibility is as they look to expansion in this growing economy of ours.

I would like to suggest that they be invited to direct their attention to this serious problem of distressed areas, because when these industrial giant corporations in America plan their expansion into the future they certainly can show some concern for the welfare of communities throughout the Nation by considering the possibility of placing their plants in areas of distress.

(The complete statement of Mr. Ruttenberg is as follows:)

THE DISTRESSED INDUSTRIAL AREA, A GROWING NATIONAL PROBLEM

Statement of Stanley H. Ruttenberg, Director, Department of Education and Research, CIO

It is indeed timely that the Joint Committee on the Economic Report looks searchingly at the Nation's distressed industrial areas as part of its examination into the problem of low-income families in the United States. I am delighted to have an opportunity to take part in this aspect of the examination.

The Congress of Industrial Organizations is deeply concerned over the fact that areas of substantial labor surplus have become fixtures in our modern economic landscape despite the general prosperity of the postwar years. Hundreds of thousands of trade-union members and their families, not only in textile, coal mining, and railroad centers, but in other places as well, are directly and, often, tragically affected by local area distress.

It is impossible to encompass in this brief statement an adequate answer to all of the highly pertinent questions suggested for discussion by the staff of the subcommittee on low-income families. Fortunately a pamphlet issued only 3 months ago by the CIO addresses itself to these questions. I would be happy, therefore, if our study, *The Distressed Area, a Growing National Problem*, could be included in the record as a part of my statement.

I wish to discuss briefly three aspects of the problem mentioned in our pamphlet: (1) The extent of area distress; (2) various approaches to the solution of the problem, and (3) the overriding importance of constructive action to minimize the emergence of distressed areas in the future.

A PERSISTENT PROBLEM

If depressed industrial areas were few in number, or if their distress was of short duration and automatically self-liquidating, the problem surely would merit little national concern. Unfortunately, that is not the case.

In the September labor market developments survey by the Department of Labor—the latest available at this writing—almost 125 major and smaller labor market areas throughout the United States were reported to be suffering a substantial labor surplus. Furthermore; these troubled areas are not confined to 1 or 2 regions only; they can be found in 30 of the 48 States.

It is true that the total is smaller than a year ago when the overall economy was in a recession phase. It is most disturbing, nonetheless, that so many areas should still be suffering unemployment in excess of 6 percent while America as a whole is enjoying prosperity. (Probably the official total would actually be greater if reports were available from all of the smaller labor market areas throughout the country. Congress certainly should be urged to appropriate funds so that the smaller areas as well as the major ones could be surveyed regularly.)

The number of substantial labor surplus areas in 1955 is not only shockingly large; in many localities, the problem is also chronic.

While 23 major labor market areas in the continental United States are reported as having a substantial labor surplus in September, 12 of them have been so listed for over 2 years and 7 have suffered unemployment in excess of 6 percent continuously since at least July 1951, when the regular survey began.

These are the chronically depressed major labor market areas of the United States. In addition, perhaps one-half of the nearly 100 smaller areas of substantial labor surplus could be properly labeled as "chronically depressed." While information about them has been accumulated only sporadically, unemployment has exceeded 6 percent for as long as they have been surveyed.

ALTERNATIVE PROPOSALS

In the face of the magnitude and persistency of the area distress problem, few leaders in public life now declare that nothing should be done. In earlier times it may have been politically feasible to support the laissez faire doctrine that the jobless should move or starve when local employment opportunities evaporate. Today, however, this callous view is no longer widely expounded.

Currently, conservative commentators may readily admit that the problem exists, but then they hastily add that the hometown folks, if energetic, ought to be perfectly able to cope with it.

For several years newspapers and national magazines have been vigorously glamorizing the supposed sufficiency of local "bootstrap" efforts to restore employment opportunities. As recently as November 9, the Wall Street Journal added its voice to this chorus.

Surely these local efforts are essential; the drive for economic recovery must begin at home. Too often, though, the results are disappointing. Generally the new jobs that are created are far less than sufficient. Often the originally displaced workers are not the ones who are employed. Frequently, the wages paid on the new jobs are far below those that originally prevailed in the area.

For example, for several years, the local redevelopment activities of Lowell, Lawrence, Scranton, Altoona, and Wilkes-Barre have been among those most highly praised and publicized. Yet, even in prosperous 1955, these communities continue to turn up regularly on the substantial labor surplus list.

Gradually, it is becoming more widely recognized that more than a local effort is required to meet the distressed area problem.

Back in 1952, Candidate Eisenhower seemed to be voicing his awareness of the urgency of Federal action when he spoke to the citizens of Lawrence. In the intervening 3 years, nonetheless, no effective program has been initiated by Washington.

A few weeks ago our hopes were raised again when Dr. Arthur Burns reported that a new Federal program to deal with area distress was being contemplated by the administration. The announcement included no details except that the program will involve: (1) Coordination of existing Federal services; (2) technical advice, and (3) some form of Federal loans or grants to the affected local communities to be provided on a matching basis.

It is impossible, of course, to discuss the details of a program which as yet are unrevealed. However, in the face of the attitude of this administration

toward helping States and localities to meet other critical needs, there is ample reason to fear that too little will be offered to be truly meaningful.

Proposed items (1) and (2) of the announced program—coordination and technical advice—have little significance if they stand alone. It is item (3), specific and tangible direct Federal financial aid, which is most critically important. It is this vital ingredient to the success of the entire program that we fear is most likely to be neglected.

A MANY-SIDED PROGRAM IS NECESSARY

An effective program of aid to distressed areas, in addition to technical advice—must include a variety of measures to: (1) Provide immediate relief for the unemployed and (2) stimulate a longer run program to restore permanent job opportunities. The need for this many-sided approach is recognized by Senator Paul Douglas and is encompassed in the bill he has introduced recently to alleviate area distress.

The first objective calls for several forms of action: Supplementary Federal relief assistance—if local and State resources cannot maintain minimum standards of family health and decency; direct Federal administration of the distribution of surplus Federal foods where local machinery is nonexistent; supplementary and extended unemployment compensation; payment of transportation costs for outmigrating workers for whom suitable employment can be found elsewhere; and modification of the Federal pension system so that displaced older workers, not yet 65, can draw benefits.

Constructive long-range actions to help create new employment opportunities also must take many forms.

Job opportunities for displaced workers should immediately be provided by the inauguration of public works, a critical need in almost all of the distressed areas. Federal loans and grants should be made available for this purpose.

Existing plants in these areas should be given a priority by all Government departments and agencies when goods or services are contracted for by the Federal Government.

Direct loans on favorable terms should be provided by local redevelopment organizations to build facilities for prospective employers. Federal loans should also be made directly to qualified employers for plant construction purposes.

In addition, businessmen who build plants or expand existing facilities in distressed areas should receive accelerated tax amortization benefits—a privilege now restricted to defense-related enterprises.

Furthermore, Federal aid is so essential to help train displaced workers to acquire new skills which may be necessary to insure their employment in enterprises scheduled to come into the area.

All of these forms of Federal assistance should be geared to meet the needs expressly of the substantial labor-surplus areas. The migratory employer, however, who simply seeks to move his facility in order to exploit a distressed area and enjoy special Federal benefits there, should, of course, be barred from receiving them.

Many parts of a coordinated Federal attack on the distressed area problem can be launched by effectively directing existing Federal functions and resources toward that end.

Federal contracts and small business loans should be more fully directed toward aiding these stricken communities; the existing technical services of the Area Development Division—now in the Department of Commerce—should be substantially expanded; the Bureau of Employment Security and the Office of Vocational Education could be recruited to broaden their labor-market surveys, undertake the retraining of displaced workers, and to administer supplementary and extended unemployment compensation and special aids for outmigrating workers.

These and similar opportunities, as well as the indispensable Federal loans and grants for local public works, factory construction, and the preparation of industrial sites will only be realized, however, if the administration boldly fights for them. Unfortunately, too many other great crusades have never gone beyond newspaper headlines because the will and the vigor to actually launch them have soon disappeared.

While local initiative is basic to the success of any industrial rehabilitation undertaking, Federal cooperation and financial aid is also essential.

STATE AND LOCAL RESOURCES ARE LIMITED

Since World War II, the revenue systems of our State and local governments have been called upon to finance a nearly twofold expansion of State and local activities. Today, almost all of these governments are critically short of funds to carry on even normal daily functions.

Against this background it would be irresponsible indeed to demand that a distressed locality shoulder a matching requirement which its declining tax revenue and debt limitation factors make impossible to meet. Similarly, it would be wrong to demand that the States be required to make unrealistic financial commitments to aid their distressed areas when the revenue of so many is already inadequate to meet current needs.

It is encouraging that Dr. Burns has announced that at long last a major Federal effort to alleviate the distressed area problem is about to get underway.

In the past 3 years, however, we have heard about many crusades and Federal-State-local "partnerships," that were about to be launched to meet one or another national problem. Unfortunately, too often, as the details of these plans have unfolded, we have found that the role of the Federal partner was to be little more than to cheer on the rest of the hard-pressed team.

Federal responsibility with respect to unemployment is clearly established by the Employment Act of 1946. It calls upon the Federal Government to use all of its "plans, functions, and resources"—not merely a few of them—to create and to maintain maximum employment. And, in seeking to achieve this objective, surely the Federal Government must recognize and deal vigorously with unemployment as a local problem and not merely as a national one.

Finally, I wish to emphasize that Federal action is as necessary to prevent new areas of industrial distress from arising in the future as it is to alleviate chronic area unemployment after it already has set in. Prevention, when possible, is surely as important as a cure.

There are three significant ways by which Federal policy can do much to retard the growth of depressed industrial areas in the years ahead, and the tragic impoverishment of family life which this misfortune brings about.

MIGRATORY PLANTS

Earlier testimony before this committee has highlighted the special problems of low-income rural families, so largely concentrated in the South. Hundreds of thousands of these submarginal farm families must either migrate or obtain employment in local nonagricultural enterprises if more adequate family incomes are to be secured.

Organized labor hopes for a constant expansion of all forms of nonagricultural employment in all parts of the Nation so that job opportunities for all families may increase. We are heartened by the recent absorption of thousands of low-income rural families into industrial enterprises in regions throughout the country. We are encouraged by the absorption of additional thousands by expanding industrial enterprises in the South.

It does not serve the Nation well, however, when migratory employers—enticed solely by the prospect of low wages, free plants, tax avoidance, and submarginal social welfare systems—move into rural Southern areas while, at the same time, they create tragic distress in the industrial communities they forsake in the North.

This method of robbing Peter and pay Paul has disastrous economic and social consequences. Just as the migratory employer is indifferent to the misfortune of the community he deserts, so too does he exploit the misguided hospitality of the one that lures him in.

While plant relocation can often be justified for legitimate economic reasons, Federal policies should no longer encourage the enticement of plants away from their present locations for other reasons.

If there can be any justification at all for Federal tax exemption on the interest received by owners of municipal bonds, surely there can be none when the bond issue is used to build plants at bargain rates for employers who leave stranded communities behind them. This glaring defect in the Federal tax system should be bodily exposed by this committee.

Similarly, it would be useful for this committee to investigate the degree that submarginal workmen's compensation and unemployment insurance systems are deliberately maintained by various States to add another inducement for the sweatshop migratory employer.

In addition, it would be highly relevant to examine the extent to which existing Federal laws governing industrial relations encourage action by several States which deliberately retards union organization and thus serves as still one more inducement to the unethical migratory employer.

These are matters which affect commerce between the States and they go to the heart of the problem which this committee has undertaken to examine. Clearly the enactment of adequate Federal minimum standards of fair competition is long overdue. Only Federal action can prevent the emergency of new areas of industrial distress as a consequence of plant piracy in the future.

RESOURCE DEVELOPMENT

The resources of an area which so substantially affect its industrial well-being are by no means entirely dependent upon acts of nature. Critically important resources, such as power and transportation, for example, are in large measure brought into being by the contributory acts of man.

While in some areas of the Nation public and private enterprise have created a comparative abundance of transportation facilities and electrical power resources, the needs of other regions, like New England, remain relatively unmet.

The rise or stagnation of an entire region and the opportunities for improved living standards for the people who inhabit it, is directly related to resource development.

Consequently, it is relevant to the issues being studied by this committee to review the impact of Federal actions as they relate to the equitable development of the resource potential of all regions of the United States.

CORPORATE RESPONSIBILITY

A recent article in Fortune magazine reports that our 500 largest corporations employ 44 percent of all the workers and over 56 percent of all the assets in manufacturing and mining in the United States. Each day—through both the process of merger and capital expansion—the corporate giants increase their influence over the industrial life of the Nation.

In earlier times the closing of one small enterprise among many similar ones had a limited impact upon the well being of an average American community. Today, on the other hand, more and more localities are becoming increasingly dependent upon the continued operation of 1 or 2 major enterprises and fewer and fewer people—but more powerful and, often, remotely located ones—decide whether the economy of an area shall expand or die.

The implication of these changes should be carefully examined by this committee.

In the past the unrestrained exercise of the traditional prerogatives of management—the decision to close a plant or even to substantially reduce its operations—has often left tragedy for thousands in its wake.

In the years ahead the concentration of corporate power will not only continue; in addition; adaptation of industry to automated processes and, ultimately to the use of atomic power will vastly accelerate new plant construction and the urge to seek out new locations.

It is not being suggested that our most influential corporation leaders, as a group, are insensitive to the problem of area dislocation. It is proposed, however, that this committee study as part of its survey of the problem of low-income families the increasing tendency of private managerial decisions to become a public trust as well.

It is the view of CIO that leaders of America's largest corporations should be invited to participate in this discussion of depressed industrial areas. From them we can learn much about the problems and possibilities of avoiding the emergence of new areas of industrial depression in the years ahead.

Senator SPARKMAN. Thank you, Mr. Ruttenberg.

Senator FLANDERS?

Senator FLANDERS. I noted, Mr. Chairman, that Mr. Conner described a public bond issue as a method of financing new plants, while Mr. Neal spoke of first and second mortgages.

I will ask Mr. Neal with regard to that whether there are legal limitations to the bond-issue plan in these two States having the areas of surplus labor?

Mr. NEAL. As I understand it, Senator, in all of the New England States, it probably would be unconstitutional to use public borrowing power for the purpose of financing what are essentially privately managed plants. The State of New Hampshire has this year gone up to the edge of this dividing line, so to speak, by appropriating a million dollars for the acquisition and preparation of sites for industrial parks. They do not directly engage in the financing of buildings, but that is as close as we have come, and apparently they feel that that is constitutional within their State. In Massachusetts and Rhode Island, I am virtually certain that the use of the public borrowing power for this purpose will be unconstitutional.

Not only that, but, of course, it runs contrary to sound New England principles.

Senator FLANDERS. However, life-insurance companies, in effect, do just that thing. That is, they build and lease, or they buy and lease.

Mr. Conner, do you know the extent to which this practice of bonding is legal or illegal in other States? We just heard from New England. It is not merely illegal, but unconstitutional.

Mr. CONNER. Senator Flanders, Mississippi has its BAWI, balance agriculture with industry program, that our law in Louisiana was more or less patterned after in 1952. We voted it into the constitution, allowing political subdivisions to vote up to 20 percent of their assessed valuation on acquiring a site and building a building only.

Now, they can't finance the machinery, but they can finance the building and the plant site, and the bond issue is limited to 20 percent of the assessed valuation of the political subdivision, of the town—we call them wards in Louisiana, or if on a parishwide basis, parishes which are the same as counties in other States.

Senator FLANDERS. Mr. Chairman, is it proper to interrogate the Senator from Alabama as to the constitutionality or legality or otherwise of bonding for this purpose in Alabama?

Senator SPARKMAN. It is not constitutional, unless specifically authorized. I know we have had several proposed amendments to authorize certain areas to issue bonds, but I am not sure that a single one of them has been adopted. I am not positive on that. I don't believe it has.

Senator FLANDERS. Now, Mr. Ruttenberg; on page 4 of your paper you have a note at the foot of the page:

Direct loans on favorable terms should be provided by local development organizations to build facilities for prospective employers. Federal loans should also be made directly to qualified employers for plant construction purposes.

Do you know, Mr. Ruttenberg, what the statutory situation is with regard to that proposal?

Mr. RUTTENBERG. As far as Federal loans directly to employers, this could be on the basis of a concept of the old RFC, or guaranty of loans by the Federal Government. There is no problem in that regard at all. And then the other suggestion of loans on favorable terms from local development organizations, what I really have in mind here is that a revolving fund at the Federal level should be made available to local redevelopment authorities in various States, and these in turn, where legal and where possible, ought to be the basis on which we can build, what is Bill Batt's phrase, and I think it is a good one, ever-available plants. I think this is the concept.

Senator FLANDERS. That is the new approach. You always have one for any customer.

Mr. BATT. Yes, sir.

Mr. RUTTENBERG. I had lunch with a British Member of Parliament, Mr. Douglas Jay.

Senator SPARKMAN. I may say he was in here when we started and I fully intended to present him and ask him for some remarks, but he didn't tarry here long.

Mr. RUTTENBERG. He had another appointment. He indicated to me he could only stay a few minutes. He was in charge, as you know, of the program of aiding distressed areas in England and the point which he made very clearly was that there the Federal, the Central Government, took upon itself to construct plants, and when they started out they thought they were only going to construct 50 or 60, and they have so far, I think he said, constructed something over 1,500. It is just the physical presence, he said, of having the plants available that really helped rehabilitate many of the distressed areas.

Senator FLANDERS. And as to what you might call the legality of the possibilities, you base your suggestion on the established practice, though now discontinued, of the RFC?

Mr. RUTTENBERG. Well, RFC or Small Business Loans Administration, whichever approach we want to take. RFC has some unfavorable connotations to it. Maybe we ought to talk in terms of small-business loans.

Senator FLANDERS. The Small Business Administration, or almost any other that has been making loans directly to qualified employers for any purpose, for any great length of time, runs into criticism. I think I would prefer to be an Administrator on such a board in the first years of its existence rather than later years.

I also have a note here on page 7, on the third paragraph under migratory plants. You use the phrase "free tax, along with tax avoidance and submarginal." I did not hear Mr. Batt's discussion. These ever-available plants, on what terms are they made available, Mr. Batt?

Mr. BATT. Well, sir, they are made available on a standard commercial basis. I mean they pay out. I know Lowell has gotten all the money back it has invested in them. They are either sold to the prospective manufacturer or they are leased, and you turn around and sell the lease to an insurance company or pension fund and get your money back to that way, assuming the company's credit standing is strong enough. That is not what Stanley is talking about, I think.

Senator FLANDERS. They are not then essentially free plants.

Mr. BATT. That is not what Stan is talking about.

Senator FLANDERS. Where is the free-plant procedure in existence, Mr. Ruttenberg?

Mr. RUTTENBERG. The free-plant procedure I don't think is in existence in the United States at the moment, except where you might consider nominal rents by local communities, where the corporation does not buy the plant. They pay a nominal rent.

Senator FLANDERS. Do you know of instances of that sort? And if so, would you be free to name them?

Mr. RUTTENBERG. I think there are instances of these. I don't have them on the tip of my tongue.

Mr. MIERNYK. One plant built for the Tennessee Textile Co. in the South was on a nominal rental basis. And I believe that Textron has

occupied one plant on a similar basis. I think they sign a long-term lease and pay a nominal rent.

Senator FLANDERS. It is not an amortizing lease?

Mr. MIERNYK. Not at all.

Senator SPARKMAN. Senator Flanders, I may say Mr. Ruttenberg referred to a study that had been made by the A. F. of L. I have seen that previously, and it is a rather complete statement. There may be an example shown there, if any.

Mr. RUTTENBERG. There are some examples in there of specific plant studies, of plants enticed to move and there may well be some examples.

I think the committee ought to examine it.

Senator FLANDERS. Mr. Ruttenberg, in the last paragraph on page 9, as I read it, the last sentence passes a favorable judgment on an increasing tendency of private managerial decisions to become a public trust as well. Am I right in reading that as, on the whole, a favorable judgment of present tendencies, or have I missed a word, a negative there somewhere?

Mr. RUTTENBERG. This is an indication of a trend, I think that we must begin to realize and take into consideration. As our corporations grow larger and begin to affect a larger segment of the production in each single industry, they must be subject to some type of public trust. Senator O'Mahoney is now conducting a hearing on General Motors. Whether bigness as such is good or bad, I am not passing judgment here, but what I am saying here is that as these corporations grow in size, and they begin to affect a wider number of people in many, many hundreds of communities, they must show some public responsibility. It may well be through various kinds of means. I am not suggesting what those means are here, but that we must move toward some public consciousness and, public trust on the part of our great corporations is certainly becoming more and more evident.

Senator FLANDERS. A careless reading of that sentence would indicate that private managerial decisions are tending to become a public trust. That is the tendency which might be inferred.

I judge now that you have described it, that you are saying that they become infused with the public interest, but you are not saying that they are made in the interest of the public?

Mr. RUTTENBERG. I am actually saying just the opposite, that the implication here—

Senator FLANDERS. I thought there was a concealed negative there.

Mr. RUTTENBERG. I am saying that because private managerial decisions are becoming so important they must be subject to public trust. At the moment they are not.

Senator FLANDERS. I am glad to get the explanation into the record, because I misread it.

Mr. RUTTENBERG. I appreciate your clearing this point up for me, Senator Flanders. I wouldn't want to be misunderstood.

Senator FLANDERS. That is all, Mr. Chairman.

Senator SPARKMAN. Mr. Neal, there is one question I wanted to ask you. I want to call your attention to the fact—I am sure you know it already—that the fifth suggestion in your statement, on the last page of your summary, is similar to the one that is included in a bill, the bill I referred to earlier, S. 2663, introduced by Senator

Douglas. His recommendation or proposal differs from yours in that it proposes the establishment of a limit of 13 weeks, whereas yours proposes 26 weeks of additional unemployment compensation.

Do you think the longer period is required for retraining purposes?

Mr. NEAL. Senator, what I had in mind was up to 26 weeks. It is true that some retraining programs could be accomplished, say, in a matter of 6 weeks, but as you get into the higher skills, and let's say the skilled textile worker who is overaged and let's say you wanted to convert him into a metalworker, I suspect that you wouldn't do it in 26 weeks, but you would get him started on the road.

Senator SPARKMAN. You would want 26 additional weeks as the maximum?

Mr. NEAL. Yes, depending on the training program that he undertook.

Senator SPARKMAN. Because you think in some skills it would be required for retraining. I knew there was something on page 2 that I wanted to ask you to discuss, and it is this:

You state there that—

the responsibility for the creation of these industrial areas with chronic labor surpluses is not difficult to find. Ironically, the cause is associated with improvement of low-income levels in other areas.

Is interregional or intercommunity competition in efforts to attract new industry a matter which the Federal Government should concern itself with? That is what you have reference to, is it not?

Mr. NEAL. Senator, I don't want to give the impression that I would be opposed to this interregional competition. I am reminded of the story about the Harvard professor who went to Yale and raised the standard in both institutions.

Senator FLANDERS. Excuse me. That was the former president of the Delaware & Hudson Railroad, who as an undergraduate went from Dartmouth to Princeton. I want you to get that clearly in mind.

Mr. NEAL. I stand corrected, Senator.

Senator SPARKMAN. That is a pretty good illustration of the old saying that it must have been two other fellows.

Mr. NEAL. But this relocation of industry, as markets shift, as resources give out, it seems to me is something that is good for the economy. Speaking entirely as a consumer, if the textile industry is able to make goods at lower prices and better profits in the South than it has in New England, then by any economics I know it ought to go to the South rather than remain in New England.

The only questions you might raise have to do with inducements, such as subsidized plants, or tax exemption, or something of that sort, which go beyond the normal economic incentives, but I think we are all aware of the fact that the textile industry started South long before these incentives were being offered, so that I am more concerned that shifts like that of textiles, and technological changes and any other changes which in a dynamic economy leave pools of unemployment, should not lead to a gradually building up of resistance to change itself, which is a part and parcel of the whole of economic progress.

I would like to enter a disclaimer that I am opposed to interregional competition on a fair basis. I think it is a good thing for the country.

Senator SPARKMAN. Mr. Conner?

Mr. CONNER. Senator Sparkman, I would like to make a statement on something here that I believe we ought to think about. I have to deal with all phases of industrial development in the State of Louisiana, and it is my duty to work with communities on any problems with which they may be involved, including stream control, pollution, and everything else. I found that within a year we had 378 new plants or enlargements of operations within the State. I found that only 78 were actually new plants in Louisiana; the rest were enlargements of old operating plants. Of the 78 new plants, there was not 1 plant that was a displacement from anywhere in the United States.

After all, in Louisiana we have about five areas where the average income is much more than the national average—I mean the per capita income. We have moneys down there, and I don't see why we can't, if possible, spend our own moneys on things made in our own State or in the South.

In dealing with the plant location, there is one primary factor that stands out and everybody seems to forget it: The man who has to invest his money is going to invest it where technological engineering and information tell him it is the best location within a region. I have worked with many plants on three-State areas such as Louisiana, Arkansas, and Mississippi, where a decision was to be made from information gathered by engineers as to which would be the best location. In 1 particular case, there were 40 towns in the original survey, and we got down to 3 towns, 1 in Louisiana, 1 in Arkansas, and 1 in Mississippi. Because one community in Louisiana had a better public spirit, paved streets, plenty of sewer and water extension, plus a little university that could in time train some of their technical people, this plant was located there.

Let's don't forget that in Louisiana, Alabama, Mississippi, or Arkansas (in those areas that are buying the goods), we feel that we have a right to some of these manufacturing plants in their expansion programs. And, again, I want to say that Louisiana has not taken a plant from anywhere or has caused a slowdown or shutdown of that company's operation in another area. We are just merely reaching out for what is ours, and that is the reason we are growing in the United States today.

Senator SPARKMAN. By the way, Mr. Conner, I am very glad that you have presented this case here. We had quite a discussion of this this morning.

Mr. CONNER. I was here.

Senator SPARKMAN. I would like to ask you, if I may at this time, a few specific questions regarding operations in Louisiana.

We hear a great deal of these so-called subsidy plans, and so forth. I am very glad to have someone who has dealt with this development program to explain to us just how it works.

I want to ask you one question with reference to the rents—my understanding is you rent the buildings. You build one and then rent it or sell it on some kind of a lease-purchase agreement.

Mr. CONNER. That is right, Senator Sparkman. I made a statement here that I thought industrial development should begin at the local level, and if the problem reached out further, then at the State or Federal level; that is the way we work. Local is entirely on this lend-lease business. In other words, the local people—I will give you an example. We have a dairy district in Louisiana where over a thou-

sand dairymen were forced every year in their surplus dairy production period in the spring to actually pour surplus milk into the ditches; yet, Louisiana imported about seven-eighths of all its milk supply. It had to be imported from Wisconsin, Kansas, and different places. We didn't produce enough for our own needs, yet that condition existed in a local area. Using our industry-inducement plan, and they wanted it, the dairymen (the taxpayers in that area) were able to vote a bond issue that allowed them to put up a dairy plant, and for 3 years now there has not been a drop of surplus milk in the area. There is no more of this \$6.10 a hundredweight for a commitment of the minimum production that a dairyman might have in the middle of the winter and the rest of it at a low price of \$1.50 or \$2. It all goes No. 1.

Senator SPARKMAN. The plant was not moving in there. You just simply put up a new plant?

Mr. CONNER. We are developing plants of that nature.

Senator SPARKMAN. That was with private capital and with local capital and local management?

Mr. CONNER. Yes. Take the town of Ruston—I mentioned this town a little while ago in connection with the three-State selection area made through technological and engineering information. The people in Ruston got ahead on the plant after we developed it. We met with the people in Ruston and with these plant managers and they decided Ruston was it, so Ruston got the plant. I am against the principles that were expounded here awhile ago, and we won't allow them to start, that a bond issue can be voted for a community to just build a building and hope they can get a tenant, because there are too many ramifications involved, and our board has the privilege to grant or refuse an application.

Senator SPARKMAN. I got that out of your direct statement.

Mr. CONNER. We have to have a signed contract between the management and the community or the political subdivision. Everything is in agreement as to what is going to be done.

Senator SPARKMAN. How does the rent level compare with rents generally? In other words, you heard a statement a while ago about nominal rents. Do you charge just nominal rents?

Mr. CONNER. We charge rent sufficient to retire the bonds, actually as though they had gone to an insurance company and said, "Gentlemen, would you build us a building here, and we will pay it out on a rental or amortization, so much interest on your money."

Senator SPARKMAN. In other words, this compares very favorably with the other plan?

Mr. CONNER. That is right. There is one point I would like to bring out. I have had this discussion with financial people and I am sure the gentleman from the Federal Reserve Bank can bear me out. It is easy for a multimillion dollar company, such as American Cyanamid or Kaiser, to come down to Louisiana and build a hundred million dollar plant. They can deal with the top boys in the financial world, but when you fool around with a plant that needs eighty or a hundred thousand square feet of floor space that we can build down there for maybe four and a half dollars a square foot or less than a half million dollars, there is no big agency to loan them the money. They have too much to deal with on multimillion dollar people to start with. The local banks don't know how to handle it. It ends up whereby the man

can hardly get the expansion he needs and he can't very well utilize some capital that he has because it would restrict his operations, turnover, and everything else for materials he needs. So unless we had this plan such as we use in Louisiana, we wouldn't be able to have gotten some 12 plants in here in the last year.

Senator SPARKMAN. I was going to ask you another question, but I think you have answered it. I was going to ask if you had had any difficulty in leasing the plants, but all of your plants have been under lease arrangements that were made before you built them and the program hasn't gone long enough that you would have a turnover, I suppose.

Mr. CONNER. That is right. I would like to mention an example as to how this works in another respect. Up in a little town in north Louisiana, Homer, where we organized a local group of industrial men, they raised \$10,000 of private capital, bought 80 acres of ground on the edge of town, cleared it off, and the first thing you knew they had a plant that wanted to come in. They built the plant a few years ago. Within 2 months the plant asked us to expand. In their program it would require a hundred thousand dollars outlay for a building. They drew up a contract with the city and everything; it was in order, and our board passed on it, allowing them to hold an election in the area, the political subdivision. It passed a hundred percent—maybe one vote was against it out of three or four thousand for it.

By the time the plant—that was 2 months later—had formulated their plans, they decided it wasn't big enough and what they had in mind would require \$400,000 in capital, but just because the community showed the spirit they did to go along with them, they asked them to rescind the bond issue, and they would invest their own capital in their expansion. We have examples of that in 2 or 3 areas.

Senator SPARKMAN. What other types of inducements are being offered?

Mr. CONNER. It has been in the statutes for quite a few years—a 10-year tax exemption that has allowed ad valorem tax exemption to new and expanding manufacturing industries within the State, granted with the permission of competitors; it can't be granted without the consent of competitors in the area.

Senator FLANDERS. That doesn't mean competitors in New England.

Mr. CONNER. No, sir; a 10-year tax exemption only on the building and machinery of their plant. I can argue this point quite extensively in that one plant alone that has had benefits of 10-year tax exemption over a period of years—it has amounted to \$150 million—was granted ad valorem tax exemption on building and machinery only, and yet that company has carried in stock merchandise and raw materials and things to the value of from 12 to 33 million dollars each year that was on the tax roll and wouldn't have been there before tax exemption was granted.

Now, I want to make one statement in relation to that one plant that alone employs more than 7,000 people in Baton Rouge and I asked them to make a survey for me last year, and I am going to bring out a point here that I think is important.

They have shown me that over 7,000 people are employed in that plant. I wanted to know where these people stayed, and, remember, Louisiana has 64 parishes. Over 1,500 of these 7,000 people drive to

work every morning from 29 of the 64 parishes, and even from the State of Mississippi, out of 129 towns.

Now, we have pushed roads in Louisiana. We have spent the \$150 million on secondary roads in our State in the last 3 years, to where people can drive 70 or 80 miles to work, and stopping the hindrance of little communities blocking traffic and all that stuff; if a man can go through a community at 40 miles an hour and get on the highway and hold 60 miles, he can drive and live in the rural areas and come to work in the congested areas and leave his family where they were originally born and raised.

That is my idea of what is going to help a lot of these chronically depressed industrial areas. Let's get some roads built some way or another through some of these areas.

Senator SPARKMAN. Mr. Conner, in August of this year Business Week devoted a considerable space to an article, Industry Moves in a Continuous Flow to the South and West.

By the way, it is the West that shows up as the most active.

Mr. CONNER: Yes, sir.

Senator SPARKMAN. The West and the Southwest are expanding most rapidly. But that is not the point.

In this article I notice that Louisiana ranks No. 10 among the top dozen States ranked according to capital spending. That was in 1953. I wonder if you think that your development plan may have been helpful to that end?

Mr. CONNER. I definitely do, sir, with other factors that we are watching at all levels, including our trade-school program, and a lot of things like that. I can do this, sir. I could talk to an industrialist who says, "We have decided that Louisiana is the place where we want to locate a plant, but you have no trained personnel in that plant. I am open and can commit our department of education on a State level. Gentlemen, we have 29 trade schools in our State; and if there is not one in the exact location you want, and if we can't have and don't have a director who can instruct the people in the work you want them to do, our department of education will hire any one of your staff to come over and start a training program with the people in the area, right there where the plant is to be built."

That has been one of the most effective things in the development of new plants. Those people from New England get their eyes opened because they come down here, wherever they are, with an expansion, and find out that in 3 months they can actually have some trained people working.

Senator SPARKMAN. You might be interested in these 12 States with the highest capital spending in 1953, the latest year for which figures were obtained. The top State is Pennsylvania, then Ohio, next Michigan, Illinois, California, New York, Texas, Indiana, New Jersey, Louisiana, Wisconsin, and Massachusetts.

By the way, Mr. Neal, I was interested in your comment a while ago about textile plants moving, if there was an economic reason for them to move. I have, for one, believed that there was an economic reason. In fact, I have always wondered how textiles—cotton textiles, I am speaking of—happened to get such a strong start in New England in the first place.

Senator FLANDERS. I can tell you about Samuel Slater, if you want to know.

Senator SPARKMAN. A couple of years ago I was talking to a gentleman from Connecticut—I have related this once before, but I will do it again for you—who told me that he was building a textile plant down in Alabama, not moving one from Connecticut, but was expanding. And I said to him, "How did you happen to select this particular place?" Well, there was a good and sufficient reason for selecting the particular town, the particular area. He said, "I want to get down there where the cotton is"; and I said to him, "How much more does it cost you to get your cotton in New England than it does in Alabama?" He told me it cost him about 2 cents a pound more to have cotton delivered to New England.

Now there was a time, when the freight-rate differentials prevailed, when he might very well have made up for that difference. I have felt that the removal of the freight-rate differential has had just about as much as anything to do with the moving of the cotton-textile industry to the South, moving down where the raw material is.

Mr. NEAL. Senator, that subject has been studied half to death.

Senator SPARKMAN. I know it has and they never come up with two answers the same.

Mr. CONNER. Do you think the consumer market is there?

Senator SPARKMAN. Well, the consumer market has increased, but I would say that generally speaking it has not greatly changed. The great consumer market is still what used to be called Official Territory so far as freight rates are concerned, although the consuming market in the South has greatly increased.

Mr. NEAL. I think that it would be interesting to ponder a couple of facts. The textile industry in New England, despite the fact that it pays on the average higher wages than are paid in the South, is nevertheless one of our low-paying industries in New England, so that the competition for workers as between the textile industry and other expanding industries which have the better reputation, together with the pull from the South, where wages are lower and where the selection of employees is probably better—that is to say, you get very top quality people, anxious to work in textile mills—the combination is almost unbeatable so far as we are concerned, and our losses in that industry have been substantial. We have lost more textile industry in the last 30 years than we have left, and we hope that that situation will stabilize, but I wouldn't count on rebuilding our chronic labor-surplus areas on textiles, because those are precisely the industries that are giving trouble.

Senator SPARKMAN. By the way, referring to this article again, to a graph—there are no figures shown—it shows a sharp drop in textiles as far as New England is concerned, but it also shows a rather sharp drop on paper, and a considerable drop on aircraft. In fact, I believe aircraft has dropped greater percentagewise than textiles.

Mr. NEAL. May I comment on those figures?

Senator SPARKMAN. I wonder if I may just pass on to 1 or 2 others so you can comment on the group.

It shows a rather heavy drop in machinery and fabricated metals, some drop in primary metals, and some in electrical machinery.

Senator FLANDERS. Are those percentagewise?

Senator SPARKMAN. They are shown in horizontal bars, so I would say it would be percentagewise, as between 1947 and 1954. Yes, the figures are in percentages.

Mr. NEAL. Senator, if Business Week had been published in 1800 or in 1850, you would be finding the same figures shown that you have given. That is to say, when you started industrialization in the United States, practically all industry was concentrated on the northeastern seaboard, so that you had 100 percent in the industrial seaboard north-east originally, and we have been going downhill percentagewise ever since, but as Senator Flanders points out this is perfectly consistent with industrial growth in absolute terms, which we have had. It is simply growth at a lower rate.

Senator SPARKMAN. At a slower pace than the others.

Mr. NEAL. Yes, sir. The absolute declines have been confined predominantly to textiles where the number of workers has declined more than half in 30 years.

Mr. MIERNYK. May I make a comment, Senator Sparkman, since the topic has turned to textiles?

Senator SPARKMAN. Yes.

Mr. MIERNYK. With more than 80 percent of the cotton textile industry in the South, and with this subcommittee's concern over chronic localized unemployment, perhaps more attention ought to be given to the future of this industry in the United States, not in New England. There is not much of the cotton textile industry left in New England, and at the rate they are moving out there won't be much of woolen and worsteds left very long, but there are some southern communities, particularly in North Carolina, which have already experienced high levels of unemployment due to the distress in the textile industry.

This is a very mobile industry. If wages begin to rise in the South, textile mills can move on to Puerto Rico or elsewhere. That is, if they lose some of their present tariff protection.

Mr. BATT. They already have moved to Puerto Rico.

Mr. MIERNYK. That is right, and they probably will continue. As this industry loses its protection, some of our manufacturers are going to invest in Japan and India; so with a substantial number employed in this industry in the South, maybe the emphasis on future investigations of chronic unemployment will shift to that area, rather than New England and Pennsylvania.

Senator FLANDERS. The net result seems to be that we will visit the South as we go by.

Mr. MIERNYK. Yes, stop briefly, much more briefly than they did in New England.

Mr. CONNER. We have talked about New England and industries moving South, and all. Let me mention one thing. No one seems to be interested in it or bothered about it much, but I know of two plants that are moving from California our way, and they were homegrown plants in California, just like 50 years ago General Motors was a backyard operation, or something. They have gotten some things started. We have one in Louisiana because they have a distribution or sales outlet, I mean a consumer market in the Louisiana area, so that they have set a plant up in Louisiana to take care of that locality.

Another big pharmaceutical plant came to Memphis, Tenn.—a complete California unit moved into Tennessee because they have such a development in the pharmaceutical supplies that they have from their California plant. They built one there.

Senator FLANDERS. Are they moving from California?

Mr. CONNER. Not moving but expanding from California. I was thinking of Mr. Ruttenberg's remark a minute ago. California and Florida have today one of the biggest attractions for industry because of their supply of labor, and the supply of labor went to California and Florida because of the climate, unemployed, and just dumped themselves on the population out there, but those States have now attracted industry due to the fact that there are a lot of people there, and there is some employment available.

I mean the labor is available. People just moved after the war for some reason or another. A lot of them saw California and Florida, because the Army paid their expenses and trotted them around in the Army camps, and they went back and stayed there.

The largest increase in population in the whole United States is in California. No. 1 is the climate.

Senator FLANDERS. This is not apropos, but may I mention a conversation with the then chairman of the Coca-Cola Co., a southern industry? I asked him what the expectations of the Coca-Cola Co. were for postwar business, and he said "They are fine. We have got 12 million salesmen out."

Senator SPARKMAN. Who were they?

Senator FLANDERS. Every sailor, every GI, every Marine was a salesman for Coca-Cola. That is southern enterprise for you.

Senator SPARKMAN. Mr. Neal, I have another question. I recall it was you who brought this out:

You said something about communities maintaining a high level of community service, and coordinating its education and training facilities for business needs. I really intended to ask this question of the panel this morning, but it will do now:

Just how are localities going to meet the requirements of industrial expansion—not only in their trade facilities and schools—but paving the streets, building sidewalks, sewers, and utilities and community facilities in general. How are they going to be able to do that? Do you advocate some kind of a program of Federal help?

Mr. NEAL. Senator, one of the great advantages of a chronic labor surplus area is that the fixed social capital of schools, streets, sewers, water supply, parking lots, street lighting, are all in. Those areas that I have mentioned for the most part have not had an increase in population, so that they can afford an adequate school system. In fact, they are rather proud of the school systems that they offer, and I believe that between the locality and the State they will be able to provide the education and the training facilities to meet the needs of industry.

Unfortunately, I was directing my remark there particularly to the fact that some of these school systems have not canvassed the needs of employers. Their training in some cases is for jobs that just aren't there. Whereas, there are jobs waiting for other people if they would just train them. That is the need for coordination.

I think that in this context of distressed areas of New England, education is primarily a State and local job.

Mr. CONNER. Could I ask if they have trade schools in the New England area such as we operate in Louisiana, which have been one of the biggest factors in upgrading all of our workers?

Mr. NEAL. Yes, sir; we have schools, technological schools, colleges, etc.

Mr. CONNER. A high-school man or grade-school man can learn to become a welder in 3 or 4 months, or 6 months. That is the type of trade school that has been very helpful in our State, or young girls who cannot go to college can take typing if there is a need for typists in the area.

Mr. NEAL. You name it and we can train them for you.

Senator SPARKMAN. Are there any further comments by any member of the panel on any part of this discussion?

Mr. BATT. Bill Miernyk made the point that the tax amortization program that the Federal Government has had now for about 2 years, in fact exactly 2 years this month, had been ineffectual.

This analysis that we had made with the help of the Bureau of Employment Security indicates that in these 17 areas—17 major areas now classified as surplus labor areas—at the bottom of column 17, 3,598 jobs, or about probably 4 percent of the jobs we need in these areas, we need about 72,000 jobs in manufacturing in these areas alone, have been provided through this tax amortization program.

I wouldn't argue that it has been adequate, particularly since it has been limited to defense industries, but with the amendment that Al Neal suggests, of putting it on a basis of providing more employment, wouldn't you recommend it as one of the measures Government can take?

Mr. MIERNYK. Yes, by all means. I said it was inadequate, partly because the program is not designed to assist labor surplus areas specifically, and I think that statistically it has been inadequate because in the Nation as a whole it provided 9,000 jobs, while, in Lawrence, Mass., alone, we have over 12,000 people chronically unemployed. That is after adjusting for seasonal and cyclical unemployment, but I would agree with your statement, and I would also agree with Mr. Neal's statement that if we change the requirements for granting a certificate of necessity to that of adding to employment opportunities in surplus labor areas, that it would help a great deal, and when I said it was inadequate I did not mean to imply that it should be abolished. I think that any measure which will create even 100 jobs ought to be encouraged, and this has created, after all, around 9,000.

Mr. BATT. I note here Asheville, N. C., where we figure 1,400 new jobs will balance the labor force. This program must have improved their situation substantially because it has created 2,275 jobs. It has been spotty, but it has been helpful.

Senator SPARKMAN. Mr. Neal, I would like to ask you one other question.

You submit a five-point Federal assistance program. I have already referred to the fifth recommendation, but the second recommendation says "Financial assistance to construct new factory buildings or new community facilities."

Now, Senator Flanders asked you something a while ago about the first and second mortgage arrangement. Where does the Federal Government come in on that?

Mr. NEAL. If I may take a case, Senator, a community may wish to build one of these ever-available plants, and this is a typical small community situated where a plant would cost, say, a couple of hundred thousand dollars. The businessmen and good citizens get together and decide to raise some money for this purpose. We don't have the

community bonding that Mr. Conner has, so that this becomes a voluntary local effort, and they sell stock, or take notes, and they manage to raise, let us say, \$50,000. Then they go to an insurance company or a savings bank and they say, "We want to build a good, modern, multiple-purpose plant here for a couple of hundred thousand dollars. Here are the drawings. How much will you lend us on it?" and the lending institution looks it over, and particularly if it is one of these ever-available deals they will say, "About a hundred thousand dollars is as high as we can go; we do not know who your tenant is." So here is a community that has raised \$50,000 privately, they have got an insurance company willing to put up a hundred thousand, and they are \$50,000 short, and this plant, if they get it, will be just the thing that will create jobs, and it may take them even out of the labor surplus category.

I had in mind a second mortgage financing for that additional \$50,000. We have the State development credit corporations which have done some of this but they are running out of resources. They are just not big enough to handle it, so that something like the Small Business Administration could come in, take second mortgages, and, of course, the firm that leases that plant would pay a rental which would cover the full cost, interest and amortization.

There is no subsidy involved.

Senator SPARKMAN. Here is a question I would like to throw out to the whole panel. I am rather surprised that I have not heard anything about it.

Do you think the expansion of automation could produce new geographical areas of economic depression?

Senator FLANDERS. Another subcommittee has busied itself with that question. If you will look at the record you will find all of the answers.

Senator SPARKMAN. This panel hasn't answered them.

Senator FLANDERS. I think we might get some new angles.

Senator SPARKMAN. I don't care about going into it at any great length.

Mr. CONNER. Are you talking about it with reference to the Nation as a whole or to an area?

Senator FLANDERS. I was speaking humorously, you understand.

Mr. CONNER. In the overall picture, it will probably improve the national economy, but there is an example such as in the thirties when we had a meeting down in the rice country of Louisiana—I am a rice farmer, too. We were a little fed up with \$2 rice, and Cuba was buying only about \$4 million of our rice while we were buying about \$15 million of sugar from Cuba, and the rice farmers decided they should force Cuba to buy at least an equal amount of rice from us.

When I got into the economy of it and found out that Cuba was buying \$75 million of goods made in the United States, my idea was this—make the people that we have here eat more rice.

I think the economy of the United States will improve, and some areas will have a depression on account of some of it, but with the better production, more need of raw materials, and all, which take labor and things, in the end we will improve our whole condition.

Mr. RUTTENBERG. Mr. Chairman, I think it can be said that there are various causes of distressed areas. We have been talking in part

here about one, migration of plants for various kinds of reasons, reasons which Mr. Conner has referred to and others, of consumer markets. Others referred to cheaper wages and surplus of labor. These are factors which cause plants to move. Some are bad. I think it is unfortunate when they move in terms of getting cheaper labor, but yet they do and this causes distressed areas.

For example, I think Mr. Neal has already referred in part to those distressed areas which occur as a result of imports of commodities in the United States. We could refer to a substantial number of these kinds of communities that have become distressed because pottery is coming in in substantial quantities from Japan, or we could refer to the cutlery communities that make just cutlery products, or such similar items.

I think it can also be said that there are going to be areas of distress caused as the result of automation. Automation in the long run, I agree with Mr. Conner, is going to bring a great deal of good to everybody in the entire country. There is no question but that living standards, and everything over a period of time will be considerably improved as a result of automation. But problems will develop over the short run. We cannot afford to take it for granted that the people who make the product that Cuba buys, if we can take that example, are going to be able to afford the rice that is grown in Louisiana, so that you can continue this circle of buying in a multilateral basis. We must tackle the distressed area regardless of the cause.

I think we will find communities in which automation will play a tremendous role in distressing that community. Whether automation is the cause, or imports, or movement of plants for consumer market reasons, or for whatever cause, if the community is distressed it must be helped.

Senator FLANDERS. Mr. Chairman, I might make the observation that from my knowledge of automation in connection with my former connection with the machine-tool business, it would seem clear that the labor displaced will be the unskilled labor, not the skilled, and that, therefore, to the extent that it makes a difficult labor situation, the question of retraining is important.

Senator SPARKMAN. Mr. Miernyk, did you want to say something?

Mr. MIERNYK. I was simply going to quote a couple of figures from the prepared paper which I submitted earlier. If you divide the manufacturing work force into production workers, that is, the men that run machines, and so forth, and nonproduction workers, those engaged in sales and so on but still working for a manufacturing company, you find that in 1946 the ratio stood at 83.7 percent, and by 1954 it dropped to 78.7, and I mentioned in my earlier statement that the number of production workers in this country is not growing, although the number of people employed by manufacturing establishments is growing.

This troubles me a bit when I hear about all of this competition for manufacturing establishments to solve the problem of distressed areas. There just aren't enough manufacturing production jobs to go around, and that is why I tried to stress the need for a policy which would shift the displaced manufacturing workers into some sort of nonmanufacturing employment other than the low-skilled and low-wage jobs they have found in the past.

Senator FLANDERS. Mr. Chairman, I might mention that the overhead, which is what the shopman calls the hours spent on something else than actual work on the product itself is a matter of continuous and rather startling change. The percentage of those who actually manipulate the product in some way in most instances is very much less than those figures you gave would show. It is incredibly less. The process of improvement in production is one of expanding the white-collar group at the expense in numbers of the blue-collar group, if that is the way you want to put it, and that has been carried to unbelievable percentages in many instances.

Automation, of course, is one of the factors which, again, decreases the number of those who are actually concerning themselves with the manipulation of the product itself, and I have heard an economist, a very capable one, attached to one of our greater industries, give some figures he had been working on as to the increase in overhead hours in our whole economy as compared with the hours spent on direct production, and we are fast becoming a Nation with heavy overhead costs.

He was speculating, by the way, Mr. Chairman, somewhat imaginatively and I think Ken Galbraith of Harvard has expanded the same ideas, that perhaps if we did away with this overhead, this enormous overhead, the enormous sales and advertising expense is our only salvation and is what keeps us going. That sounds ridiculous, but certainly as this enormous overhead expands and expands and expands year by year, conditions do not get any worse, in general. There may be something to it, but it is a fantastic idea.

Mr. RUTTENBERG. Mr. Chairman, I would like to make a comment in connection with this.

Senator Flanders, it is true if you look at the picture over any period that employment lags behind production. But let us take the last 2 years, 1953 over 1955. Employment, according to the BLS, in mining, in construction, and in manufacturing, is still lower than it was when we were at very high levels of production in 1953. We have increased production by some 10 percent, or a little more over this period, but employment in these three areas are down.

On the other hand, employment in trade, in finance, in distribution, in services, and in Government has gone up over this period of time, so one might say, well, we have got a pretty healthy situation. We have had technological advances, in manufacturing, mining, and this has reduced employment, but people have found employment elsewhere. That is one of the key problems—and, of course, this is merely prediction, merely indication of trends, and one does not know that it is true, but one of the indications of automation is that it is moving into the white-collar field, and moving in rapidly, into the trade distribution and service fields. If this is the case, then the age-old tradition of finding employment for displaced manufacturing workers, in white-collar operations, which has really been the trend over the last 3 or 4 decades, is not any longer going to be true as we move into the future.

Therefore, we have got to look to other solutions to the employment problems resulting from automation and technological advances.

Senator FLANDERS. I may say, Mr. Ruttenberg, that I have little expectation that this thing that will come will come as a crisis. It will come as observable trends to which we can adapt ourselves. It

will not come, I think, as a crisis which we will have to meet overnight, but we need to be watching it. At least that is my point of view.

Senator SPARKMAN. Mr. Batt?

Mr. BATT. Sir, in answer to your question on automation, would it cause additional critical areas?

Senator SPARKMAN. Pockets.

Mr. BATT. Pockets—it seems to me it already has. Taking the latest classification, the September classification of surplus areas, we note in there several railroad towns as well as coal towns. One of the big factors we know, following the map right down the Alleghenies—Hornell on the Erie, Altoona on the Pennsylvania, Cumberland on the B. & O.—has been the technological revolution from coal to diesel-powered locomotives, which has displaced workers in those towns. They still, despite tremendous efforts, have not been able to pick up the slack.

In the coal towns, although the primary factor undoubtedly has been the falloff in the use of coal competitively as against gas and oil, still one of the big factors currently in coal unemployment has been the tremendous mechanization of the coal operations. I know they talk about it a good deal in Pennsylvania and southern Illinois. It has gone even further downhill, these communities have, because of the big investment in mechanization.

Senator SPARKMAN. Isn't it true that the coal industry is experiencing something of a recovery at the present time?

Mr. BATT. Currently I understand.

Senator FLANDERS. It is having an expansion of the export trade, among other things.

Mr. BATT. It is getting better.

Senator SPARKMAN. And steam generation of electric power.

Mr. BATT. I don't imagine that has much effect on the anthracite area. I have not seen the figures, but even then this automation factor, if you please, mechanization of coal mines, has contributed to the fact that you can get more coal out with less workers. The moral of it is that the Government ought to be better prepared than it is today, through some such measures as have been recommended here, to take care of future pockets as they develop.

Senator FLANDERS. I wondered why there was no migration of industry into Altoona. I knew that town well nearly 50 years ago, when I spent a week there for a mechanical journal, writing up the manufacturing processes of the Pennsylvania Railroad in building their locomotives. They built all of their locomotives, and occasionally an experimental one, at Altoona. That ended when they electrified Harrisburg, at least 30 years ago; the steam locomotive was on the way out, and then, of course, the diesel killed it, but there is a city with a tradition of skilled workmanship in the metal trades. It is a depressed area.

What is it that keeps industry from taking advantage of that situation in that town? I cannot understand it. It seems to me it is a natural place to move into.

Senator SPARKMAN. That seems a good question.

Mr. BATT. The community has done a tremendous deal to assist industry to come in there, also, Senator, with one of the best industrial development jobs of any community in the country, but what the

factors are that have kept them from getting more industry in there I don't know.

They now have 16 percent unemployment, about 8,800 people still unemployed as of March 1955.

Mr. MIERNYK. Senator Flanders, I think one of the problems of Altoona is very much like that of Lawrence, Lowell, and other towns in Massachusetts, that when the old industry died out it left a lot of workers behind, and the average age of these workers is quite high. You not only have a lot of unemployment in Altoona, but you have a lot of unemployed older workers, and industry has been resisting the use of these people.

Senator SPARKMAN. By the way, Senator Flanders, this morning Mr. Strong, who is from Pennsylvania, participated in the panel discussion, and I recall he used Altoona as an example. Mr. Strong is still in the room.

I wonder if you would care to answer that, Mr. Strong?

Mr. STRONG. I think part of the problem is due to the fact that industry has not been willing to use the skills, the particular skills that these men have. The situation, I am glad to report, is correcting itself.

Mr. Ruth, who is the director, or head of the Chamber of Commerce in Altoona, is working diligently on this problem, and they have, I think, been able to get around 400 new industries there in the past year, where they will begin to use these skills. I think we are on the way to recovery in that area. We have a long way to go yet.

Senator FLANDERS. I am glad to hear it. That whole Pennsylvania locomotive-building process was a fascinating thing. A boiler came into the erecting floor, and within a week I saw that same boiler going out on the road as a completed locomotive. It was a very efficient piece of operation.

Senator SPARKMAN. This morning, Senator Flanders, the question was raised—I believe Mr. Strong is the one who brought it up—whether in some of these depressed areas where industry has left, we may not find an unfavorable labor reputation—a reputation of unfavorable management-labor relations.

Is there any of that in Altoona, Mr. Strong?

Mr. STRONG. No, I would say that condition did not exist there at all.

Senator SPARKMAN. I believe it was you that mentioned that, was it not?

We had considerable discussion on it.

Mr. STRONG. No.

Senator FLANDERS. There was a crisis in the labor situation in Altoona. The old system in the early days, my early days, was to build only Atlantics and Pacifics, and when they went up over the Horseshoe Curve they put on 1 or 2 helpers. Afterward they began to build the mountain-type and heavy locomotives, and they didn't stop at Altoona at all. The train crews of Altoona had felt quite confident of their position, and insisted on having their own internal seniority, which was not affected by the rest of the road, and in consequence, when Altoona became just a whistlestop, these men were all out of work.

That was a long time ago. I don't imagine it would affect the present situation.

Mr. STRONG. I don't believe we ever had the labor violence in Altoona.

Senator FLANDERS. There was no violence, to my knowledge.

Senator SPARKMAN. Mr. Conner.

Mr. CONNER. I was wondering where some of the depressed areas are developed—are they from large companies that are stock companies; or from maybe what you call home-grown companies, meaning that they started 40 or 50 years ago, they have grown up, and now that there is no one left in the family that has much interest in it, they have dropped out.

We have a case down in New Orleans of a Mr. Merriwether, who is brother to the late Dorothy Dix who used to write a column in the newspapers. He has a turpentine plant in New Orleans. He is up in his eighties now and knows he cannot keep on, so he called the employees in and said, "Gentlemen, I am going to have to shut down. I cannot go on any more. You can do this: I will leave what equity I have in this company as a stock company. You fellows get organized and set up and rejuvenate this a little bit. I will stay with you with my investment, but you fellows will have to do it. I cannot do it."

The funny thing about it is that Merriwether had been carrying this business on in New Orleans, which is against the economy, because he gets his turpentine in northern Louisiana. The workmen said, "Sure, we will join in with you, but we will move the plant." The workmen said that themselves—"We will move the plant. It is more economical. We understand it. We don't know why you kept it here all this time."

Senator SPARKMAN. They moved with the plant in that case?

Mr. CONNER. That is right. It was a condition of economy. When it was put to them as their problem, they were very interested in seeing that they could make money out of it, more than he did.

The point is, how many depressed areas might be created by home-owned things, not stock companies. Any large company is a stock company. They are dealing with the future.

I like to deal with them. They are looking toward things that go on after I go.

Senator SPARKMAN. Senator Flanders?

Senator FLANDERS. Mr. Chairman, I think it must be said that so far as the New England cotton industry was concerned, a large factor was nearness to the supply of cotton, as you have said. Another larger factor was low labor cost, but there was also another factor: The second and third generation mills were run by managers who went by the name of agents. The descendants of the owners were without technical or business knowledge. What they asked for was dividends, and the agents who would bring the dividends were the agents that they hired, and the agents in too many cases obtained the dividends by paying out the funds instead of for replacement of new machinery and improvement of equipment, so that the time came when the owners had an absolute obsolete mill, with no chance nor funds for reequipping it.

Don't you agree, Mr. Neal, that that was a part of the problem?

Mr. NEAL. As a matter of fact, if I could add to that, Senator Flanders, the textile industry in New England is singular, I think, in that until very recently there has been virtually no attempt at diversification of that industry. Things that are perfectly common in almost any other line of manufacturing that you can think of are still unheard of in the textile industry.

The Federal Reserve Bank of Boston has commissioned a study of diversification possibilities for this industry because the going concern values of textile firms have simply been dissipated, poured down the drain, because they have not considered anything but making textiles. I think that for the part of the industry that we have left there is some hope that some of them, anyway, will do what the textile machinery makers are doing as fast as they can, and that is taking on additional lines which will keep them going, and use their capital and their management and their plant and location, despite the fact that their original line is no longer profitable or has had a reduced volume.

Senator SPARKMAN. Any further comment?

Mr. CONNER. May I ask Senator Flanders a question?

He said awhile ago he would like to serve as chairman the first year but not afterward. I was thinking of the Small Business Administration office which we in Louisiana happen to have lost. Through their Dallas office, however, we, as a State agency, distribute information concerning their operations to our people in Louisiana. We used the Small Business Administration loan on a plant here awhile ago, a home-grown plant in a matter of expansion where the local banks originally committed themselves to join, and then all at once pulled out. If it had not been for the Dallas office, and my getting in touch with them and getting together with the small firm—it was a matter of \$300,000—they would not have been able to do what they wanted to do, which was to expand.

I think that in my mind the Small Business Administration has been very effective. It could be very effective, sir, in handling the connection between assisting small businesses, on Federal levels that is.

Senator FLANDERS. I am glad to get that judgment from you. Of course, Dallas is quite a ways away.

May I tell Wright Patman this story?

Senator SPARKMAN. You have one in Boston.

Mr. CONNER. At our industrial conference in Louisiana last week, 265 people from 62 communities in Louisiana were present, and Dallas had 3 of their representatives there to get acquainted with the problems. They are very much on their toes.

Senator FLANDERS. Wright Patman lives in Texarkana, and his favorite story is about a Chicago business firm whose southern representative was in El Paso. They wired him that there was a good prospect in Texarkana, and asked him to look up the prospect. He wired back to Chicago and said:

You are nearer Texarkana than I am. Go yourself.

Senator SPARKMAN. Any further comments from anyone in the panel?

Senator Flanders?

Dr. Ensley?

Mr. ENSLEY. My questions have been answered.

Senator SPARKMAN. I may say that we invited Dr. Seymour Harris, chairman of the economic department of Harvard University, to submit a statement on this subject, and he has done so. That will be included in the record.

THE EXISTENCE OF CHRONICALLY DEPRESSED INDUSTRIAL AREAS DURING PERIODS OF FULL EMPLOYMENT, WITH SPECIAL FOCUS ON INTERREGIONAL PROBLEMS ARISING FROM CURRENT TRENDS OF INDUSTRIAL MIGRATION

Statement of Seymour E. Harris, chairman of the economics department, Harvard University

1. GENERAL VERSUS SPECIAL MEASURES

The above is the subject I was asked to discuss.

I believe the major factor to be stressed is that full employment is related to the large volume of public expenditures (approaching \$100 billion), and any substantial decline from this high level of employment is treated by general measures—e. g., fiscal and monetary policy. But these general measures are inadequate for treating spot situations. In fact, a vast rise in deficits and monetary expansion might reduce the 20 percent of unemployment in Lawrence, Mass.; but it would be at the expense of a great inflation. Looking at the problem in a somewhat different way, I would say that the expansionist programs associated with large Government spending, tax reduction (1954), and even Government deficits have contributed toward an improvement in areas of spot unemployment. Obviously, the situation would be much more serious if there were 10 to 20 percent of unemployment in the country generally instead of a minimum amount of a few percent. The vulnerable areas would suffer disproportionately from any decline of activity.

2. WHY SURPLUS LABOR AREAS

Surplus labor areas predominate in textile, shoe, and coal-mining regions. The explanation in no small part is the slow rate of growth in these industries. In textiles, the competition of synthetics (a transfer of activity to the chemical industry), great technological advances, the fierce competition of the South, the increased competition of other consumers' goods, a tendency to wear less clothing, the effects of some Federal policies and (related) the slow overall growth of the industry—these largely explain unemployment in textile towns and especially in the Northeast.

The importance of the rate of growth is suggested by the figures below. It will be noted that textiles, apparels, and shoes account only for two-thirds as much employment in manufacturing relatively as in 1899; and chemicals, petroleum, and rubber, a rise of two-thirds. From 1947 to 1955 (first quarter) the decline in textile employment in New England was 129,000, or a drop of 43 percent.¹ This drop largely explained a loss of 141,000 manufacturing jobs in New England. In only 2 census industries were there substantial gains of manufacturing jobs to offset these losses (transportation equipment, 34,000, and electrical machinery, 12,500).

Percentage of employment

	1899	1939	1951
Textiles, apparels, and shoes.....	28.5	20.7	19.4
Chemicals, petroleum, and rubber.....	4.6	6.6	7.5
Primary metals.....		8.6	8.6
Metals, machinery, instruments, etc. (5 major industries).....		24.0	33.1

Source: United States Census of Manufactures, 1947, II, various pages; and 1951 Annual Survey of Manufactures; advance report, series MAS 5/24, Mar. 11, 1953, p. 7.

In coal the problems are somewhat different. The competition of oil is of first-rate significance. Wage policy which tends further to weaken the competition of coal and to result in uneconomic allocation of mining, is another factor of importance. That the industry is heavily concentrated in a few States, and particularly the large concentration in West Virginia, is especially unfortunate. For it becomes very difficult indeed for the State to introduce corrective measures when the State's employment and income is so dependent on one industry. In general, there are limitations on how much a local or State government can do. From 1948 to 1954, nonagricultural employment in West Virginia dropped from

¹ Monthly Labor Review, June 1955, p. 645.

544,000 to 473,000. In this kind of situation, despite great needs the pressure is to reduce public spending.²

3. THE PROBLEM OF FINDING SUBSTITUTE EMPLOYMENTS

What is especially puzzling is why replacements are not found for the declining industries. Indeed, to some extent substitute employment is found. The depressed areas try to diversify; and they subsidize incoming industries in various ways. But the high taxes accompanying closing of plants and migration, the residue of bad capital-labor relations, and the gloomy appearance of ancient plants now in darkness discourage new enterprises.

Nor is the outward migration adequate. Employment opportunities elsewhere are not too well known. The large number of women and concentration of racial stocks discourage outward migration. People do not like to leave their homes. That this is so, is suggested by variations of as much as 3 to 1 in per capita incomes among States.

One explanation for the difficulties in finding substitute industries lies in the limited range of employments that are competitive.

4. LIMITED RANGE OF COMPETITIVE EMPLOYMENT

Elsewhere I have discussed this problem more fully. Here I present several paragraphs from this study. The major conclusion to be drawn is that losses can be recouped only out of a limited area of economic activity.³

"The major competition faced by American industry is interregional, not international. For example, exports out of the country are but 4 to 5 percent of the gross national product. Obviously, most sales are at home. In fact, a large part of all sales are within the region or even city of production. This is perhaps even more true of services than of movable goods. A large part of our services are almost exclusively free of interregional competition—medical, local, and State government, public utilities, domestic service, local transport, public education, etc. Here competition outside the city or region is distinctly limited. This point is of importance because it underlines the limited area within which adjustments in response to losses in interregional competitive position must be made.

"It is well to remember that manufacturing income in 1952 accounted for but 31 percent of all income. The major adjustments in the competitive position of a region have to be concentrated to a considerable extent on this part of the economy. Hence, large losses in interregional competition, say, in textiles and shoes, if they are to be made good in substitute exports, must largely be made good in improvements in manufacturing 'export' industries. Agriculture, forestry, fisheries, and mining account for but 9 percent of the national income. Here competition is relevant but the limits of adaptability are determined largely by the resources available.

"An estimate of approximately 40 items included in service employments and accounting for 60 percent of all income suggests that only about 10 percent of all income and corresponding employments included here are largely subject to interregional competition. Thus for retail trade, public utilities, transportation, telephone services, most services (education, religion, cinema, private households), local and State government, and a large part of Federal Government, the location of activities for the most part is determined by the present distribution of population and income. Only as population and income are redistributed will the services be redistributed. They are determinates, not determinants. Substantial parts of wholesale trade and of insurance are examples of services subject to interregional competition. (See Survey of Current Business, July 1953, p. 16.)

* * * * *

"An indication of the areas of competition is given by the distribution of various types of incomes by regions. * * * We compare for each region the percentage of incomes earned by different employments relative to the region's share of the Nation's income. Thus in the 7 regions of the country, for 1952, the average percentage of trade and service income to the region's total income

² Cf. hearings on the January 1955 Economic Report of the President, especially, pp. 193-197; and James M. Henderson, A Short-Run Model for the Coal Industry, Review of Economics and Statistics, November 1955, pp. 336-346.

³ S. E. Harris, Interregional Competition: With Particular Reference to North-South Competition; Proceedings of the American Economic Association, 1954, pp. 370-372.

payments varied only from 24.1 to 28 percent (the United States average was 25.6). In construction, the range was from 3.4 percent (New England) to 5 percent (Southeast). Here the differences are explained largely by the slow advance of New England and the rapid industrial growth of the South—not by the South selling construction services to other regions. Where the percentage of income accruing to particular employments does not vary much from region to region, it may be assumed that competition is distinctly limited. In some instances, where percentage of employment varies generally, e. g., transportation, the explanation may well be that differences reflect geography rather than interregional competition. Heavy concentration of population explains a low proportion of employment in transportation in New England and Central States, and large distances explain high relative employment in transportation in the South, Northwest, and Far West. Differences in the proportion of service income may also reflect variations in spending patterns in part: the rich Northeast spends more on services than the poor South.

"For agriculture, government, and manufacturing, the minimum and maximum figures (taken from the Survey of Current Business, August 1953, p. 9) were as shown in the following table:

National average:	
Agriculture (income)	6.7
Government (income payments)	15.9
Manufacturing (payrolls)	24.5
Minimum:	
Middle East	1.5
Central	12.5
Northwest	10.6
Maximum:	
Northeast	20.3
Southeast	20.3
New England	32.9

"If a manufacturing region loses heavily in exports, its losses must be recouped largely in manufactures, with some help from services. Yet even in manufactures there are segments where adjustments are not easily made. For example, in 1951, the distribution of manufacturing employment was as follows:

"1. Seven industries with location predominantly determined by access to raw materials (and to some extent to proximity to markets) accounted for 35 percent of the value added in 1951.

"2. The location of 7 industries accounting for 46 percent of the value added was determined to a substantial degree by the need of being near the markets.

"3. The other 5 industries (textiles, apparel and related, printing and publishing, leather and leather products, instruments and related products) accounting for 19 percent of value added were industries which might be located largely independently of the proximity to the sources of the raw materials.

"The last group would especially be subject to pressures for any adjustments that have to be made."

5. ADJUSTMENTS THROUGH MONEY, PRICE, AND WAGE MOVEMENTS

Ordinarily it is assumed that when a region or industry loses ground, it loses cash, with resultant fall of prices and pressure on wages. The fact is that this kind of pressure is exerted, and the movement of wages reflects the pressure. New England, once a high-wage region, now experiences wages below the national average in all but three of the industries listed in the manufacturing censuses. The differential between North and South in textiles has been reduced by some 80 percent over a period of 50 years. Textile wages also tend to fall relative to other wages. Thus, from 1947 to 1954, the hourly rate in textiles declined from 84 percent of the average manufacturing rate to 75 percent. In recent years the pressure of industrialization in the South has tended to narrow wage differentials further. Thus, from 1947 to 1953, the rise of hourly wages in manufacturing was 41 percent in both New England and the Middle Atlantic States and 49.5, 53.7 and 57.3 percent in three southern regions. In part this greater rise for the South is undoubtedly related to the relatively large growth in high-wage industries.⁴

⁴ Computed from Census of Manufactures, 1947, and 1953 Annual Survey of Manufactures.

But what is striking is that wages did not rise more in view of the much more rapid rise of money in the South than in the North.⁵

6. GOVERNMENTAL POLICIES

Undoubtedly part of the trouble lies in governmental policies. Indeed, in textiles a strong trade union in the North and a weak one in the South tend to increase wage differentials. But the introduction of the Taft-Hartley Act, which resulted in a freezing of regional wage differentials and the spread of right to work laws in the South accompanying Taft-Hartley, contributed also to wage differentials.

Government policies have been even more important in other fields. Agricultural policies not only depress the terms of trade of industrial regions but, through effects on prices of cotton and wool, tend to reduce the appeal of textiles generally and stimulate the competition of man-made fibers and of foreign producers. Expansion of synthetics in turn stimulates the migration of industry, for once new plant and machinery are required the temptation is to expand where labor costs are low. The social-security program, with its support of experience rating, has made possible lower standards and lower costs of social security in some regions and in this manner induced unfair competition. In fact, the competition among States for low taxes and inadequate services as a means of attracting industries has contributed greatly to the loss of industry in vital spots in the Northeast.

Federal tax and revenue policies are also of great significance. Tax exemptions for municipal bonds facilitate the building of plants by municipalities and renting and sale under very favorable conditions as a means of pirating industries. The Federal tax-amortization program stimulated the building of new plants (and even in the excess capacity textile industry) in competition with established plants. In a period of almost 5 years, New England received from 20 to 30 percent of the certificates for tax amortization to be expected on the basis of its economic position. Tax policy has also been an important factor in the movement which so often has resulted in the closing down not only of plants but even of towns. Mergers stem not only from genuine economic considerations but also from such tax provisions as allow deductions of losses of the merged plants.⁶

Most important of all are the net effects of Treasury taxes and outlays. Here the effects on some regions are serious indeed. In a period of 20 years, for example, the 3 major New England States received back but 31 percent as much as the taxes borne relative to receipts and tax burdens of 5 major industrial States in the South. The percentage of Federal expenditures for 140 programs per \$1,000 of taxes borne was \$119 for the United States; \$50 for Connecticut; \$81 for Illinois; \$55 for New York; and an average of \$256 for 5 major southern industrial States. The moral to be drawn is not that transfers are not justified, but rather that the magnitude should be considered relative to rate of gains and losses of different regions and areas and that the richer regions experiencing serious problems of adjustment should also receive some attention. (Why did New England receive less than one-half of 1 percent of flood-control outlays in recent years, or one-fifteenth to one-twentieth of what might be expected on the basis of her economic position?)

CORRECTIVES

1. Tax and revenue policies should be scrutinized in terms of overall effects.
2. Abuses of tax exemption should be ended—e. g., municipal building of plants for private enterprise.
3. Federal funds should be made available on a loan basis for stimulating investment in surplus-labor areas—as suggested by the Douglas bill (S. 2663). I would go even further and suggest that rates should be reduced below costs of borrowing to offset gains of income and outlays for the Treasury associated with favorable effects on employment.
4. A Federal system of unemployment exchanges should be instituted so that information on employment prospects should be better known.
5. An extension of the period of unemployment benefits should be provided in surplus areas—as suggested in the Douglas bill. The funds are available, for the Treasury has “absconded” with \$500 million to \$1,000 million diverted for administration of unemployment insurance but not used.

⁵ See my statement before the Senate Labor and Welfare Committee, May 11, 1955, for a fuller treatment (Minimum Wages).

⁶ Cf. my statement for the House Committee on the Judiciary in *The Merger Movement in the Textile Industry*, 1955.

6. The vocational training (inclusive of rehabilitation) program should be expanded. In fiscal year 1954, Federal outlays on rehabilitation were \$23 million and, in 1956, \$39 million (proposed). But only 6,000 of 200,000 workers injured requiring rehabilitation received them under the Federal-State program.⁷

7. As the Douglas bill proposed, there should be preference shown in Government procurement to producers in depressed areas. But this provision requires teeth. Despite repeated promises, New England received but two contracts in excess of \$100,000 in 1954 as a result of these preference provisions.⁸

8. On tariff policy, great care must be exercised not to hurt further depressed industries and labor-surplus areas. The New England textile industry has lost more than 200,000 jobs in recent years. It is irresponsible policy to put the burden of solving the Japanese problem on New England textiles. This is not an argument against freer trade. But it is an argument for improved distribution of the costs of trade liberalization (more on growing industries) and a suggestion that alternative policies be considered.

9. Under unemployment insurance, minimum rates should be set so that the range of differential costs would be narrowed.

10. The encouragement of mergers by Federal tax policies should be ended.

11. Subsidies to foreign competitors, through raising prices of raw materials for our textile industry and through a two-price system, should be discouraged.

12. A flood-insurance program and an adequate flood-control program should be invoked as soon as possible.

Senator SPARKMAN. Senator Flanders, if this is not objectionable to you, I have suggested to Mr. Ensley and Miss Snyder that they might analyze this article that I referred to. It seems to be a very good treatment, but a very great deal of it is not in form to present in the record.

Senator FLANDERS. If it is the truth, let's have it.

Senator SPARKMAN. Nothing but the truth, and if they could analyze it in acceptable manner, it will be placed in the record.

(The materials referred to are as follows:)

INDUSTRIAL MIGRATION

By the McGraw-Hill department of economics¹

The map on the next page shows the effects of 7 years of restlessness by American industry. Two things about it are significant—and, to a degree, surprising:

(1) Industry is continuing to move from the manufacturing cores of the East and Midwest to the newer, booming centers of the South and West.

(2) The rate of migration has not slackened at all from the days when the World War II dispersion program began dramatically to remake the industrial face of the United States.

In 1948, when the McGraw-Hill economics department took its first postwar look at the changing map of United States industry, its findings simply confirmed what a great many people had surmised: United States production was turning its back on the grimy areas where it was born and was heading toward the greener fields of the South and West. The change was slow, as most migration is. But the trend was there, and many people had themselves seen enough of its effects to become convinced of its proportions.

This spring, we decided to take a second look at migration—to see what had happened in the 7 years from 1947 through 1954. Since the first study, the United States had gone through a consumer durable goods boom, weathered an inventory recession, had a wartime prosperity and then a letdown, and finally had come back to boom again.

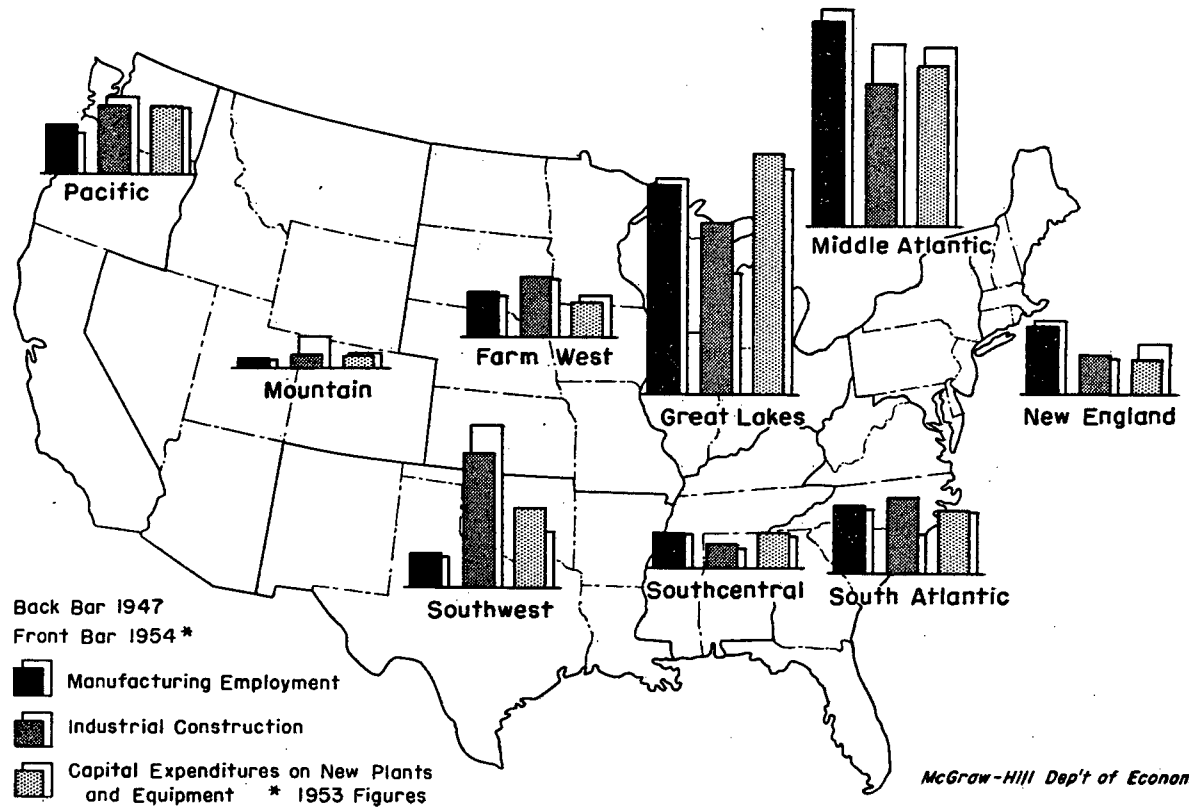
Manufacturing capacity is now half again as big as it was in 1947, a statistic that reflects close to \$40 billion in manufacturers' outlays for new plant and equipment. (Almost as much more was spent for replacement and modernization.) Where, geographically, did this money go? A quick answer would be that it went where it had already been going—out of New England, out of the middle Atlantic area, and into the rest of the country, notably the Southwest and the Pacific coast.

⁷ The Budget of 1956, pp. 678-679; U. S. Department of Labor, Workmen's Compensation in the United States, p. 44.

⁸ Monthly Labor Review, June 1955, p. 647.

¹ This report appeared in the August 13, 1955, issue of Business Week.

The Changing Map of Industry



McGraw-Hill Dep't of Economics

But this leaves out what is really the most surprising fact about the migration of the last 7 years, namely, that the shift has been just as fast as it was in the unsettled days of World War II. And the movement is no longer heavily concentrated in a few industries, such as textiles and leather. By and large, it is now across the board.

It would be easy to say that American industry has simply been following the overall population shift in what it has been doing. But the fact is there is no way of telling whether industry has moved because of people or people have moved because of industry. The path of the chicken and the egg leads round and round the barn. All that can be said is that the population and income shifts of the last 15 years have created new markets, and that industry, whether through cause or effect, is now permanently attached to those markets.

In some cases, the reasons for the attachment are obvious. In others, they may boil down to no more than the whim of company executives.

Why, for instance, have companies moved away from New England? Relatively high transportation costs have been definitely a factor in outmigration. The lack of raw materials has been a factor, too. And on top of this has been the labor cost element. New England can offset its high-labor costs only by greater productivity of its workers. In the years since the war, it doesn't seem to have had any such advantage.

Add all these considerations to the fact that New England's population growth, and hence its appeal as a market, is lagging behind that of the rest of the country, and you have some of the reasons why manufacturers have been severing age-old ties in the Northeast and making new ones in the South.

The South's appeal, of course, is a growing demand for consumer goods—with plenty of labor available, at wages that industry likes, to make them. With this, there is an abundance of natural resources, fuels and, above all, cheap Federal power. Combined with other considerations, such as local tax concessions, fast plant writeoffs for construction outside established industrial areas, and the overall aims of industrial dispersal in the atomic age, these have been more than enough to make industry turn its back on the States where it was born.

This year, in tracking down industry's movements since 1947, three yardsticks have been used: (1) Manufacturing employment, as gathered from figures of the United States Bureau of Labor Statistics and the various State agencies; (2) capital spending by manufacturers for new plant and equipment, as reported in the annual surveys of the Bureau of Census and the last complete manufacturing census, which was in 1947; (3) industrial construction contract figures compiled by Engineering News-Record, a McGraw-Hill publication.

Here briefly is what each of these shows:

(1) Manufacturing employment figures for 1947 and 1954 indicate that the Northeast—New England and the Middle Atlantic States—has lost 3 percent of its share of total factory jobs in the Nation. This loss has been the gain of the West and of the South. The North Central States—the Great Lakes region and the farm West—show no change in their share of jobs.

(2) Capital spending figures for new plant and equipment confirm this shift. Data for 1953, the latest year available, show the Northeast with a 5-percent smaller share of the United States total than it had in 1947. The South is up 4 percent, the North Central up 1 percent, and the West had no change.

(3) In new industrial construction contracts, the Northeast showed a 5-percent loss in its share of the total when compared with 1947. Whereas in 1939 it accounted for 40 percent of new plant building, its portion in 1954 was down to less than 25 percent. Meanwhile, the South added 2 percent to its share; the North Central, which dropped 13 percent between 1939 and 1947, recovered some of its earlier loss; the West, for the first time, had a 5-percent dip, most of this loss being centered in the Mountain States.

REGIONAL CHANGES

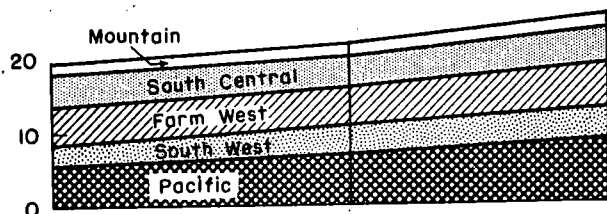
The sections that follow give a more detailed look at what has happened within each region, within the States and within the major industries. At this point, however, one thing is clear: industrial migration is going to continue relentlessly to change the industrial map of the United States. The trend to decentralization inspired by the hydrogen bomb is only now beginning. The St. Lawrence seaway has several years to go before its effects are even felt, let alone assessed. These, and other factors, are bound to leave an indelible imprint, and by 1960 the picture that is now in view may be considerably redrawn again.

This, however, is the way it looks now:

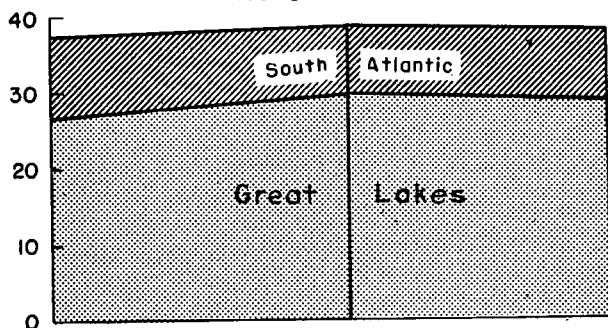
Industry Continues on the Move

(Manufacturing Workers)

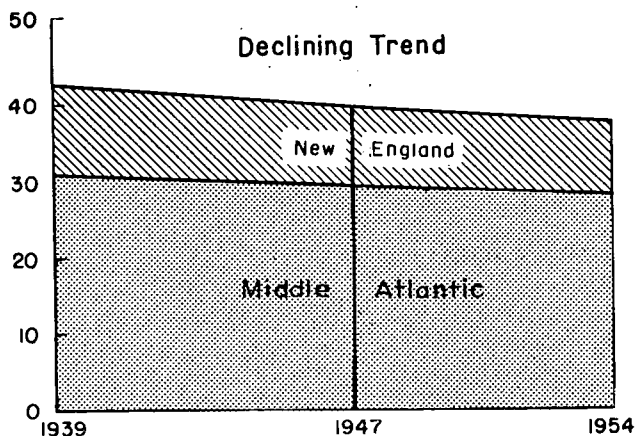
Increasing Trend



No Clearcut Trend



Declining Trend



New England

In terms of its share of total United States factory jobs, New England has been slipping since the early part of this century. Between 1947 and 1954 it slid from the No. 3 spot in the regional standings down to No. 4.

Once a predominantly soft-goods region, New England is now split 50-50 between soft and hard. Since 1947, its employment in durable goods manufacturing has picked up slightly—but not enough to balance out a 15 percent drop in soft goods jobs. Overall, manufacturing employment in 1954 was down 8 percent from 1947.

As far as its share of United States factory jobs goes, New England has gained ground since 1947 in 5 industries—furniture, shipbuilding, railroad equipment, apparel, and leather—has held its own in 6, and lost standing in 9 others. In 2 of these 9, textiles and aircraft, the loss in its share has been substantial—5 percent or more.

Among the 6 New England States, none is running counter to the overall regional trend. But some are showing more resistance to it than others.

Connecticut has now lost its rank as one of the dozen States with the highest industrial activity in the United States. However, its share of the Nation's total factory jobs dropped only slightly between 1947 and 1954, and its share of industrial construction was down only a little more than 1 percent.

THE TOP DOZEN STATES MEASURED BY THREE DIFFERENT GAGES

MANUFACTURING EMPLOYMENT

1954	1947
1. New York	1. New York
2. Pennsylvania	2. Pennsylvania
3. Ohio	3. Ohio
4. Illinois	4. Illinois
5. California	5. Michigan
6. Michigan	6. New Jersey
7. New Jersey	7. Massachusetts
8. Massachusetts	8. California
9. Indiana	9. Indiana
10. North Carolina	10. Wisconsin
11. Wisconsin	11. Connecticut
12. Texas	12. North Carolina

INDUSTRIAL CONSTRUCTION CONTRACTS

1954	1947
1. Texas	1. Texas
2. New Jersey	2. Pennsylvania
3. Ohio	3. California
4. California	4. Illinois
5. Pennsylvania	5. New Jersey
6. Michigan	6. Louisiana
7. Illinois	7. Wisconsin
8. Indiana	8. New York
9. Virginia	9. Connecticut
10. Minnesota	10. Ohio
11. New York	11. Missouri
12. Wisconsin	12. Indiana

MANUFACTURER'S CAPITAL EXPENDITURES

1953	1947
1. Pennsylvania	1. Pennsylvania
2. Ohio	2. Ohio
3. Michigan	3. New York
4. Illinois	4. Illinois
5. California	5. Michigan
6. New York	6. California
7. Texas	7. Texas
8. Indiana	8. New Jersey
9. New Jersey	9. Indiana
10. Louisiana	10. Massachusetts
11. Wisconsin	11. Wisconsin
12. Massachusetts	12. North Carolina

Massachusetts, which dropped from seventh to eighth spot in factory jobs, nevertheless retook from New York its old standing as No. 1 shoe and leather State. Though textiles have fallen off substantially, the Bay State has been able to take some consolation in a rapidly growing communications equipment industry.

In Maine, however, industry has been steadily moving away. Employment fell 8 percent between 1947 and 1954, and only leather showed a substantial gain. New Hampshire's volume of new industrial construction and capital spending for plant and equipment has fallen off to practically nothing. Vermont's factory employment is down 8 percent despite an increase in metalworking. Rhode Island has been especially hard hit by migration of textiles, and total manufacturing employment in 1954 was just about where it was 15 years ago. Little new industrial plant is being built in the State.

At this point, the outlook is for more of the same for New England, rather than an abrupt halt or reversal of its slide. Both population and per capita income have been increasing at a slower rate in New England than in the Nation as a whole. And though it still had 9 percent of all United States factory employment in 1954, its share of new plant construction—only 5 percent—wasn't keeping pace with jobs.

Middle Atlantic

What was long the top-ranking industrial area of the United States is top-ranking no more.

In 1947, there was little to choose from in calling either the Middle Atlantic or the Great Lakes area the No. 1 industrial region. By 1954, though, the choice was clear. The Great Lakes was definitely perched on top, and the Middle Atlantic States—New York, New Jersey, Pennsylvania, Delaware, and Maryland, along with the nonindustrial District of Columbia—were in the runner-up spot.

In 1947, the Middle Atlantic had about 30 percent of all United States factory jobs. Seven years later, not only had its share dropped to 28 percent, but its manufacturing employment had registered an actual decline. Although jobs in hard goods plants were up 3 percent, soft goods employment dropped 7 percent from 1947 to 1954. Like New England, the Middle Atlantic has been shifting to hard goods manufacture, and by 1954 jobs were split roughly 50-50 between soft and hard.

Actually, the Middle Atlantic's share of United States factory employment has increased in only three hard-goods industries—fabricated-metal products, autos, and railroad equipment. In aircraft and shipbuilding, its chunk of the United States total shrank considerably, as it did in apparel in the soft-goods class. Although the region held its own in two industries, there were moderate declines in 12 others. High-wage rates have worked as a drag on much new plant building and, in the case of apparel, have been a major factor in the exodus to the South.

On a State basis, Pennsylvania is first in the country in capital spending, second in factory employment, and fifth in new industrial construction. It tops all others in railroad equipment and in primary metals, although the new Fairless Works wasn't nearly enough to keep its metals share from dropping from 24 percent in 1947 to 21 percent in 1954. It picked up in apparel, but not enough to climb from the No. 2 spot into the top United States ranking, and it dropped from second to third in textiles. Also, it lost to Ohio its title as biggest in stone, clay, and glass.

New York, with 12 percent of all factory employment in the country, still leads the pack in jobs. But its portion of the United States total has been shrinking. In jobs, its share has dropped off 1 percent in the last 15 years, in new industrial construction nearly 2 percent and in capital spending 3 percent.

The State is still out front in furniture, paper, printing and publishing, fabricated-metal products, and electrical machinery. It has added to its share of fabricated-metal products and autos. Against this, it has lost ground in shipbuilding, apparel, chemicals, printing and publishing, and leather.

The gap between New York's industrial construction in 1954—3 percent of the Nation's total—and its 12 percent of all factory employment suggests one thing: The State may be hard put to hold onto its dominant position in the years ahead.

In New Jersey, the situation is just the opposite. In 1954, the State had less than 5 percent of United States factory jobs. But its proportion of the Nation's new industrial construction was nearly 8 percent. In building, it was second in

the country, in factory jobs seventh. With 11 percent of the chemical industry, New Jersey still leads all other States, although its share has dropped from 13 percent in 1947.

Delaware has made strong gains in transportation equipment, and its factory jobs, overall, are up more than one-fifth since 1947. The No. 1 industry is chemicals, accounting for about 37 percent of all employment. Maryland now has between 1 and 2 percent of United States factory jobs, new industrial construction and capital spending. It looks well able to hold its own industrially over the next few years.

On the whole, industrial capacity has not gained in the Middle Atlantic over the last few years the way it has in other regions. In general, manufacturers have tended to concentrate more on new equipment than on new plant. The region's 28-percent share of the Nation's factory jobs has not been matched by its share of new construction (19 percent) or of plant and equipment expenditures (22 percent). Thus it appears that the Middle Atlantic will continue to trend down, gradually losing more of its industrial standing.

South Atlantic

The last 7 years have reversed the downtrend that was apparent between 1939 and 1947. In terms of factory jobs, the South Atlantic—Florida, Georgia, South Carolina, North Carolina, Virginia, and West Virginia—is now the third-ranking industrial region in the Nation. It has passed New England, but it still trails the Great Lakes and Middle Atlantic by a sizable margin.

Between 1947 and 1954, manufacturing employment in the South Atlantic picked up 7 percent. The region is dominated by soft goods, and most of the gain was there, with apparel leading the way. More than two-thirds of its total factory employment is now in nondurables.

In all, 15 industries in the South Atlantic increased their shares of the United States total, 5 held their own, none lost ground. Big gains showed up in textiles, shipbuilding, and apparel.

In Florida, new industries have sprung up all over the State. Food and lumber, which had nearly 50 percent of the factory jobs in 1947, now have only about one-third. Overall factory employment is up 39 percent, but the State's share of the national job total is only about half as big as its share of new industrial construction and capital spending. More industry is bound to head south to Florida.

Georgia's factory employment shot up 13 percent, mainly because the fantastic growth of the aircraft industry. Lockheed's Marietta plant, not operating in 1947, now employs 15,000, about 2 percent of the national total in aircraft. In textiles, Georgia is now fourth in the country and, if its push continues, will soon pass Pennsylvania for the No. 3 spot.

North Carolina has strengthened its hold on the No. 1 textile perch and has a strong chance to pass New York and become top State in furniture. The State is growing, but it doesn't seem to be growing as fast as was predicted when industry was bee-lining there in the 1930's and 1940's. North Carolina's industrial wage scale in 1954 was one of the three lowest in the Nation.

South Carolina, where textiles and apparel have nearly 70 percent of factory employment, has pushed its manufacturing jobs up 8 percent since 1947. In chemicals, there was nearly a fivefold increase. Virginia's share of the country's factory jobs is only half the size of its share of new industrial construction, in which it ranks ninth. Already the leader in shipbuilding, it has good chance for more growth. So has West Virginia—despite the fact that its loss of factory jobs between 1947 and 1954 was the second biggest in the Nation. New industrial plant accounted for more than 2 percent of the national total in 1954, against West Virginia's 1 percent share of factory jobs.

In all, the South Atlantic should continue to add to its industrial share with moderate gains over the next few years. The region's share of new plant construction is a shade out in front of its factory jobs. And this area still has a tremendous pool of relatively cheap labor and cheap power.

Great Lakes

Now the top industrial area of the United States, the Great Lakes did not climb onto the highest rung because its gain in number of jobs was big. Actually, in terms of its share of the Nation's factory jobs, the Great Lakes dropped back 1 percent. But the Middle Atlantic skidded 2 percent, and that made the difference.

The Great Lakes today is about 70 percent durable goods, 30 percent non-durable. In 11 industries, its share of United States employment dropped between 1947 and 1954. In 8 others, there was a gain, and 1 had no change. On the

loss side, the important skids were in railroad equipment, fabricated metals, leather, rubber, furniture, and autos. The most significant gain was in aircraft. Taken as a whole, factory employment inched up just a shade more than 1 percent, the smallest rise recorded by any region.

Indiana appears to be doing relatively better than the other States of the Great Lakes. Unlike Illinois, Michigan, Ohio, and Wisconsin, its share of United States factory jobs didn't decline between 1947 and 1954. Its rank in construction and capital spending is ahead of its rank in total factory jobs, which would seem to point to more growth. There were large gains in employment in aircraft, communication equipment, and chemicals.

Illinois is still the fourth most important State in factory employment and capital spending. But it has slipped from fourth to seventh in new industrial construction. It continues to top all other States in food, though it has lost its spot as No. 1 in electrical machinery. It slipped from second to third in furniture and fabricated metal products.

Because of the depressed auto output in 1954, Michigan's factory employment was only 1 percent higher last year than in 1947. From fifth ranking in jobs, it fell to sixth. Against this, though, there were gains in capital spending from fifth to third and in new industrial construction. The State, which was not even in the top 12 in construction contracts in 1947, held the No. 6 spot last year.

Despite decentralization of the auto industry, Michigan still has 55 percent of its employment, compared with 57 percent in 1947. In machinery, it has made strong gains to become third-ranking in the country.

Ohio, which is the leading machinery State, added to its lead. It did the same in stone, clay, and glass, but it lost 4 percent of its share of rubber and yielded the top spot in fabricated metals to New York. It ranks today as second biggest in capital spending, third in factory jobs and industrial construction.

Wisconsin is showing strong growth in electrical machinery and in 1954 was 12th in the Nation in new industrial construction. Prospects are good that it will improve its position.

For years, the share of new construction going into the Great Lakes has trailed behind its percent of factory jobs. However, enough new equipment capacity has been added to suggest that the region won't suffer much loss in its industrial standing over the next few years. In fact, depending on how much difference the St. Lawrence seaway makes, it may face even a more prosperous future.

Farm West

Moderate industrial growth has been the lot of the farm West for a good many years now. Since 1939, it has increased its share of total United States employment in manufacturing by 1 percent. Actual factory jobs climbed 13 percent between 1947 and 1954.

In the last 7 years or so, the farm West's 7 States—Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota—added to their share of jobs in 6 industries, had no change in 7 and lost in 6. With the help of industrial dispersion, their portion of the aircraft industry increased substantially.

In Kansas, factory jobs shot up 63 percent, mainly because of an eightfold jump in aircraft employment; Kansas now has 6 percent of the national total in aircraft. Missouri posted a 10 percent increase, primarily for the same reason—aircraft. In shoe-and-leather employment, Missouri ranks third.

Nebraska, with an 18 percent rise in manufacturing jobs, just about doubled its capital spending over 1947, and its new plant construction in 1954 was 4½ times what it was 7 years earlier. It has all the earmarks of future growth.

The same holds for Minnesota, where the share of new construction is roughly three times the State's share of factory jobs. Iowa's share of building and capital spending, however, is running behind its manufacturing employment, and rapid growth seems unlikely. In the Dakotas, North Dakota enjoyed a 470 percent increase in spending for new plant and equipment and an 8 percent climb in employment. But its factory jobs are still next to lowest in the Nation, and South Dakota is only two notches higher.

Throughout the Far West, the share of new plants being built is somewhat higher than the region's share of manufacturing employment. Thus the prospect is for continued moderate growth.

South Central

As a region, Alabama, Kentucky, Mississippi, and Tennessee are saved from having the smallest share of factory jobs in the country only by the still smaller

showing of the Mountain States. In 1947, the South Central also managed to top the Southwest. But that was before the Southwest's recent spurt.

Over the last 15 years, the South Central has kept its percent of United States manufacturing employment practically steady. In actual numbers, factory jobs climbed 5 percent between 1947 and 1954. The gains were in soft goods—apparel and chemicals. Jobs in hard goods dropped off, so nondurables are an even more important part of the region's economy than they were in 1947.

All told, the South Central bettered its standing in 10 industries, lost in 5 and had no change in another 5. There were no drops among the nondurables, which make up about 58 percent of all factory jobs in the area. In the shoe and leather industry there was a sizable gain.

Kentucky is one State that appears to be headed for more growth. Its share of new plant construction is nearly 2 percent, while its portion of nationwide manufacturing employment is less than 1 percent. The biggest gains in the State have been in chemicals and metals and metal products.

Mississippi, which had the lowest average hourly wage in the country in 1954, has a fast-growing apparel industry that nearly doubled its employment in 1947-54. Lumber, however, is still its top industry. Tennessee had a jump of 8 percent in factory jobs, but its share of new industrial construction has been dropping off. It ranks fifth in chemicals and it has had a fivefold jump in jobs in electrical machinery. Alabama's apparel industry produced more growth in jobs than any other. The State has more than 1 percent of all the factory jobs in the United States, but its proportion of new industrial plant is only about half of that.

At the moment, the future industrial growth of the South Central looks to be slow. The region's present share of employment is somewhat higher than its proportion of new plant. However, capital spending is a shade higher than the employment percentage, which could make for moderate growth, but probably not rapid.

Southwest

Arkansas, Louisiana, New Mexico, Oklahoma, and Texas make up what is now the second fastest growing region in the United States. From all signs, it may soon be the fastest.

Though its share of the United States total is still small, the Southwest can no longer be called an "infant wonder." Between 1947 and 1954, its share of the factory jobs in the country rose 1 percent—enough for it to climb past the South Central into seventh place in the national standings. In all industries except autos, the Southwest now accounts for more than 1 percent of national employment totals. Over the last 7 years, its share of United States jobs climbed in 16 industries, dropped in only 1 and showed no change in 3 others.

In actual numbers, factory employment in the Southwest was up 22 percent in 1954 over 1947. The gains were strongest in durable goods, which now make up about 46 percent of manufacturing employment in the area. This is up from 44 percent in 1947 and reflects the added emphasis that hard goods have been getting.

As in 1947, Texas leads the Nation in new industrial construction. It ranks twelfth in manufacturing jobs, seventh in capital spending. Although the State is already the leader in petroleum refining—and has made strong gains in chemicals and metalworking—it still has a tremendous growth potential. Its share of new industrial construction is nearly 15 percent of the national total. But its portion of factory jobs is less than 3 percent.

Oklahoma's factory employment jumped 34 percent between 1947 and 1954—mainly because of expansion in metal products. Its new industrial construction is running more than four times its share of factory jobs. New Mexico's gain of 79 percent in factory employment over the last 7 years is the biggest of any State; most of it centers in durable goods. In Louisiana, chemicals and paper are expanding rapidly, and the State now ranks ninth in capital spending. Arkansas, whose industrial employment remains heavily in lumber, has added new jobs in apparel, chemicals, and leather. But the State's share of new industrial plant dropped to well below 1 percent in 1954.

The Southwest will grow tremendously in the future. Its share of new construction has been running about one-fifth of the Nation's total, and it has had more than one-tenth of total capital spending. Against this, its share of factory employment is less than 5 percent. A consistently bigger share of new plant over the last few years can mean only one thing—a big increase in industrial employment is sure to follow.

Mountain

Measured by factory jobs, the Mountain States of Arizona, Colorado, Idaho, Montana, Nevada, Utah, and Wyoming make up the smallest industrial region in the United States. Together, they account for just over 1 percent of the national total. Between 1947 and 1954, factory employment rose 18 percent. Durable goods, with the emphasis on aircraft, led the way.

In Colorado, food, which has been the top industry, is losing ground. Primary metals holds second position, but the best gains are in chemicals. Nevada had a fantastic gain of 4,100 percent in new industrial construction between 1947 and 1954, but its base to start with was almost imperceptible. It still has the smallest number of factory jobs in the country. Wyoming ranks just one notch higher in nonfarm employment.

Primary metals have supplanted food as Utah's top industry, and factory employment is up 18 percent. Arizona, with a substantial jump in its share of new plant construction, had a 77 percent climb in factory jobs. In Montana, metal mining accounts for more employees than any manufacturing industry. In Idaho, lumber still accounts for 50 percent of manufacturing employment.

More growth may be expected from the Mountain States. The proportion of new plants is a good bit bigger than the region's share of factory jobs. And new Federal power projects are making cheap power available to new industry.

Pacific

Gaged by manufacturing jobs, the Pacific coast is the fastest growing industrial area in the Nation, as it was in 1947. Between 1947 and 1954, it added 2 percent of all United States jobs to its share of the total. Now ranked fifth industrially, it should pass both New England and the South Atlantic by 1960, if it continues to expand the way it has.

In the 7 years through 1954, factory jobs in California, Washington, and Oregon climbed 33 percent. Hard-goods employment, boosted by close to a threefold increase in aircraft, showed nearly a 50-percent rise. In nondurables, where the biggest gain was in paper, the climb was smaller—10 percent—but still substantial.

All told, 12 industries in the region increased their shares of total United States jobs, and 4—all in durables—lost ground. Despite the tripling of aircraft jobs, the Pacific's proportion of the industry dropped significantly. Other regions had even bigger gains.

Where California was eighth in manufacturing employment in 1947, it is now fifth; with an increase of 44 percent in factory jobs, its share of the Nation's total rose 2 percent to bring its portion to just a shade under 7 percent. It slipped a notch—down to fourth—in new industrial plant; and the same thing happened in capital spending, where it dropped from fifth to sixth. The decline in its share of capital expenditures, however, was very slight.

In Washington, employment in factories went up 9 percent, with aircraft again being the principal reason, as in California. Oregon's dominant industry is still lumber, in which it leads the Nation, and wood accounts for about 55 percent of the State's manufacturing jobs.

At this stage, the industrial growth potential of the Pacific is beginning to look a little less spectacular. Its share of new plant and of factory jobs are just about in balance—both around .9 percent of national totals. Thus, there may be a slowdown of growth from now on, although new and expanded Federal hydropower in the Northwest will offer a strong attraction to new industry.

Metropolitan area changes

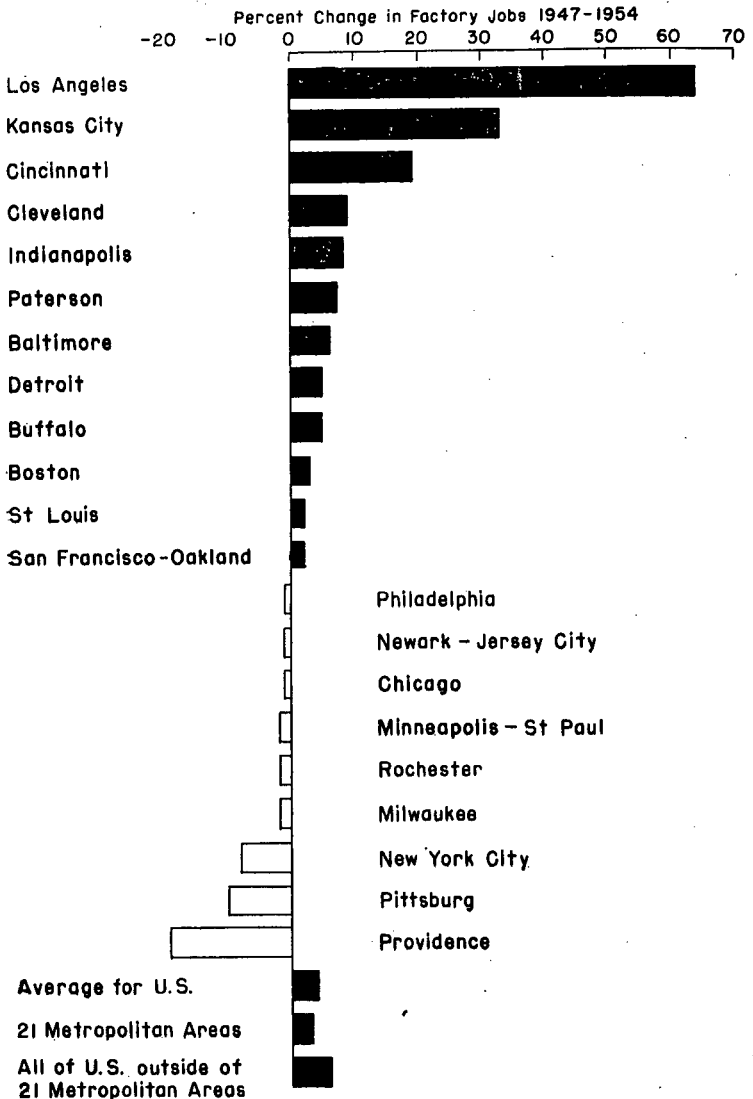
By 1954, the effects of industry's decentralization—and its shift from the big metropolitan areas—were beginning to show clearly across the country. The metropolitan areas are starting to lose out. Smaller cities and towns are the ones registering the healthy gains.

In 21 metropolitan areas with more than 100,000 factory jobs in 1954, jobs had increased only 3.5 percent since 1947. This compared with a 5-percent climb throughout the rest of the Nation.

Even this record would not stand without Los Angeles, which had a striking employment jump. Taken as a group, the other 20 metropolitan areas showed no increase at all over the 7 years, and some—notably Providence, Pittsburgh, and New York—had substantial losses.

The areas that have profited at the expense of the older centers have been mainly in the South and West. Miami, Phoenix, Baton Rouge, Albuquerque, Tulsa, Oklahoma City, Port Arthur, Galveston, Greenville, Salt Lake City, Des Moines, and Spokane are all relatively new industrial cores, and all are growing

Variations Among Metropolitan Areas



McGraw-Hill Department of Economics

rapidly. Against this, the record of the older centers runs all the way from a 64-percent increase in Los Angeles to a drop of 17 percent in Providence.

Migration by industry

Primary metals is following the trail of migration from the Northeast to the South and West. The Middle Atlantic States lost 3 percent of their postwar job share of the United States total; the Southwest gained 1½ percent, while the Pacific was up 1 percent. The other regions stayed about as they were in 1947.

Fabricated metal products, with 43 percent of its 1947 jobs concentrated in the Great Lakes States, shows a somewhat different pattern from that of over-

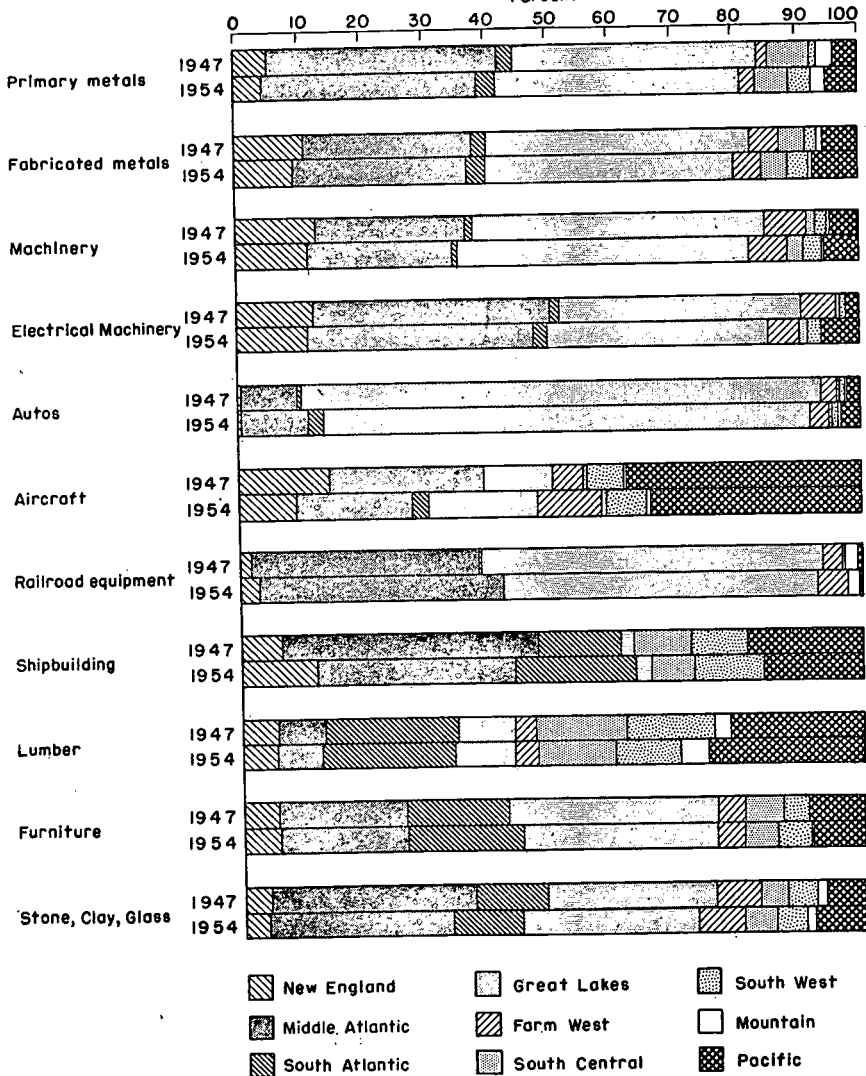
all migration. The Great Lakes region's share was cut by about 4 percent; New England's portion fell 1½ percent. But Middle Atlantic States increased their percent of the total by 1 percent and the 3 southern regions each increased their shares by about 1 percent. The biggest gain was in the Pacific—a jump of 1½ percent.

Machinery has seen less migration than most of manufacturing. The industry is centered in the five Great Lakes States, where nearly half of all its workers are employed. Actually, the Great Lakes region added to its share during the last 7 years. What trend there was, though, was away from New England and the Middle Atlantic toward the Southwest and the Pacific.

Regional Shifts Within Industries

Durable Goods

Percent



Source: McGraw-Hill Dept of Economics

Electrical machinery has undergone a striking shift. The Pacific coast raised its postwar share of jobs by about 4 percent, and the Southwest added to its relatively small share by 1½ percent. Against this, the Great Lakes' share dwindled by 3 percent, while New England and the Middle Atlantic States, together, showed a drop of 2 percent in theirs.

Autos, with 82 percent of its jobs concentrated in the Great Lakes States in 1947, has shifted slightly into the rest of the country. The Middle Atlantic got the bulk of this shift, picking up 2 percent of the United States total. The Pacific region also increased its share of the industry by 1 percent.

Aircraft has had a dramatic shift since the end of World War II. The Middle Atlantic and New England States combined to lose about 11 percent of their postwar share of jobs. Meanwhile, the Pacific, with about 38 percent of all the aircraft industry employment in the country, lost 3½ percent of its share. Against this, the Great Lakes added 6 percent to its postwar share, the Farm West did about the same, and the South Atlantic, with Georgia leading the way, increased its portion 2½ percent.

Shipbuilding shows a completely different pattern. The Middle Atlantic region had a 9 percent loss in its share of postwar jobs, mostly because of a sharp drop in shipbuilding employment in New York. However, New England increased its share of the industry by 5 percent, while the Pacific lost 3 percent. The South Atlantic States show the largest increase—an extra 6 percent over their 1947 share.

Railroad equipment, with more than 90 percent of its employment in the Great Lakes and Middle Atlantic States, shifted, for the most part, from one of these regions to the other. The Great Lakes lost 5 percent of its national total, while the Middle Atlantic area increased its share by 3 percent. The remaining 2 percent shift was spread between New England and the Farm West States.

Lumber shows a marked shift to the Pacific. Its share increased 4½ percent, while that of the South Central region shrank by 2 percent and that of the Southwest by 3 percent. (A strike in the lumber industry during 1954 may have distorted the employment figures. But since the strike was centered on the Pacific coast, any distortion would mean an understatement of the shift.)

Furniture shows an unusual migratory pattern. The Great Lakes States lost 3 percent of their share, and the Pacific region 1 percent. But the South Atlantic, with North Carolina leading the way, added more than 2 percent to its 1947 share, while New England and the Southwest each increased theirs by more than 1 percent.

Stone, clay, and glass shows one big change: A cut of 3 percent in the Middle Atlantic's share of 1947 jobs, a gain of 1 percent in the Great Lakes.

Food processing had less migration than any other industry between 1947 and 1954. Only one region—the South Atlantic, where there was a gain—changed its share by more than 1 percent.

Textiles are moving to the South Atlantic at a faster rate than ever before. This region, accounting for 39 percent of 1947 textile jobs, increased its share to 47 percent in 1954. The gain came at the expense of New England, which lost 6 percent, and the Middle Atlantic States, which lost 3 percent.

Apparel has grown throughout the South. The Middle Atlantic States, with 59 percent of the industry in 1947, lost 5 percent of their share. The Great Lakes also lost. But the South Atlantic added 3 percent to its postwar share, the South Central States increased their share 3 percent, and the Southwest gained 1 percent of the total from 1947 through 1954.

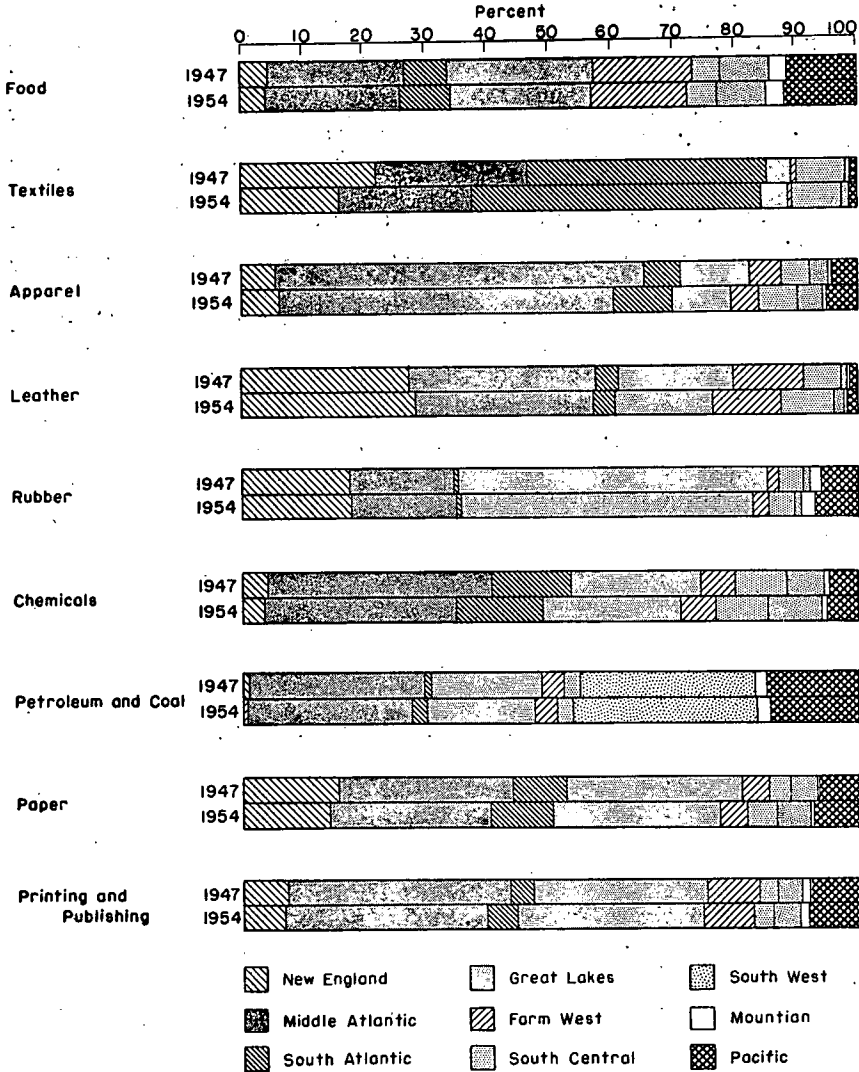
Printing and publishing is following the trend from the Northeast to the South and West. The Great Lakes region increased its share 2 percent, while the Middle Atlantic States now show a 3 percent drop. Meanwhile, the South added 1 percent to its share.

Pulp and paper has held closely to the overall trend. The Northeast has lost 4 percent of its share to the South and West. The Great Lakes States share has been cut 1 percent. The three regions of the South increased their shares, and the Pacific scored a gain, too.

Chemicals shows one major shift: The Middle Atlantic's share has been cut substantially—nearly 6 percent, bringing its portion to less than 31 percent. All other regions of the Nation benefited, with the exception of New England. The Southwest region made the biggest gain of all, adding 2 percent to its share of this growing industry.

Rubber products, with 50 percent of the postwar industry centered in the Great Lakes States (more than one-third in Ohio alone), has shifted relatively little. The Great Lakes region's share fell about 3 percent between 1947 and

Regional Shifts Within Industries
Soft Goods



Source: McGraw-Hill Dept of Economics

1954. The migration, what there was of it, was mostly to the Pacific and the farm West.

Petroleum and coal products continue to move south, but slowly. In 1954, the Southwest States accounted for 30 percent of the total United States jobs in the industry. The Middle Atlantic region's share of postwar jobs dropped by 1½ percent, and the South gained 2½ percent.

Leather shows no definite pattern of migration, although shifts are taking place. The major change was a loss of 3 percent in the Great Lakes' share of the industry. The south-central region (especially Tennessee) gained 3 percent over its postwar share. Meanwhile, New England recovered 1 percent of the total. The Middle Atlantic States, which accounted for 31 percent of the industry in 1947, now have only 29 percent.

Where do we go from here?

Industrial migration will continue to change the industrial map of the United States. The years immediately ahead may see some of the greatest shifts in our industrial history.

The trend to decentralization of industry because of the hydrogen bomb has only started. If it really gets going, it could mean billions of dollars of new industrial plant would be located in areas that today are wheatfields or swamplands.

What the St. Lawrence Waterway will mean to industrial migration is not yet clear. However, it appears that the Great Lakes area could conceivably account for 50 percent of American industry in 10 years. Industry may move also into the farm west States, which are neighbors of the Great Lakes States. These farm States are not far from lake ports, yet at the same time they are distant enough from today's heavy industrialized areas to fit into a decentralization policy.

New Federal power projects are helping to reshuffle regional concentration of large power-consuming industries. Lower production costs go hand in hand with cheap power, and areas with cheap power are attracting industry.

The new minimum-wage law is one factor that may help to slow down industrial migration. The wage differences between the Northeast and the South will shrink. Wide wage differentials will no longer be a major reason for manufacturers to move south. Unionization will also help narrow wage differentials. In recent years, for example, the traditional North and South differential has been eliminated in steel.

At the same time, rising wage levels in the Southern States are strengthening their appeal as markets. Manufacturers will build new plants in these areas to be nearer the improved consumer markets.

Senator SPARKMAN. Yesterday we were considering rural depressed areas and we referred to and quoted the Department of Agriculture's report, Development of Agriculture's Human Resources, a report on problems of low-income farmers.

I have had the letter of transmittal for this report from Secretary Benson and addressed to the White House. I saw a number of Government agencies that had contributed to this.

I did not see any reference to the TVA, and knowing that the TVA had done a great deal of work in this field, and also since in the course of our hearings reference was made directly to the low-income farmers in the TVA area, I addressed a letter to Miss Marguerite Owen in Washington, representative of the TVA, inviting her to give me any material that TVA might have on this. Miss Owen has written me a letter saying that they submitted a memorandum to the Department of Agriculture in connection with the preparation of their report. It seems to be quite an adequate work.

I should like to include in the record a copy of my letter to Miss Owen, her reply, and the report that the TVA made, because it does cover this question quite adequately for a rather big area of the United States.

(The information referred to is as follows:)

NOVEMBER 21, 1955.

MISS MARGUERITE OWEN,
Washington Representative, Tennessee Valley Authority,
Woodward Building, Washington, D. C.

MY DEAR MISS OWEN: I am chairman of a subcommittee of the Joint Committee on the Economic Report which is making a study of the problems of low-income persons. This, of course, includes low-income farm families.

In the spring of 1955, the Secretary of Agriculture issued a report entitled "Development of Agriculture's Human Resources—A Report on Problems of Low-Income Farmers."

In noting the list of Government agencies contributing material to this study, I do not find the Tennessee Valley Authority listed. I am somewhat surprised since I know of the prevalence in the whole TVA area of the family-sized farm;

of the great number of low-income farm families; and of the fine program that has been carried on by the TVA relating to such families.

I believe it would be helpful to our hearings which are now being held, if we could have from the TVA material regarding this problem and suggestions toward its solution.

Your cooperation in this respect would be greatly appreciated.

Sincerely,

JOHN SPARKMAN.

TENNESSEE VALLEY AUTHORITY,
Washington, November 22, 1955.

HON. JOHN SPARKMAN,
United States Senate, Washington, D. C.

DEAR SENATOR SPARKMAN: In partial response to your letter requesting information about TVA's experience in endeavoring to meet the problems presented by low farm income and rural underemployment, particularly in an area of small farms, I am attaching a report entitled "Problems of Underemployed Rural People" issued by TVA's Division of Agricultural Relations in June of 1955. As a footnote to page 1 of the text indicates, this report is a reprint of material submitted to the Secretary of Agriculture on August 6, 1954, in response to his request. Additional copies were later supplied to the Department.

It is true that the Secretary of Agriculture did not list TVA among the contributing Government agencies when he transmitted the report entitled "Development of Agriculture's Human Resources--A Report on Problems of Low-Income Farmers" to the President, although TVA was gratified to note that many of the problems identified and recommendations advanced in the report were similar to appraisals contained in the TVA material.

I hope the material will be useful to your committee. We shall be very glad to provide additional data if you would find it helpful.

Sincerely yours,

MARGUERITE OWEN, *Washington Representative.*

PROBLEMS OF UNDEREMPLOYED RURAL PEOPLE¹

Stephen C. Smith²

Growth in the number of nonfarm jobs and the accumulation of capital required for economic development are salient economic trends to be considered in understanding the problems of southern underemployed, low-income farmers and part-time farmers. Industry and commerce have been expanding in all sections of the country at an unprecedented rate. In response to these opportunities people have been leaving the South. The trek from South to North and from South to West is a modern day counterpart of the great westward movement of a century ago. Thus, extreme population pressures upon resources caused by high birth rates has been relieved.

Within the South industry has been expanding rapidly. There are more nonfarm jobs in the Southeast today than ever before. The large reduction in the rural farm population is evidence that farm people have found these jobs attractive. Rural people have continued to move to town. Urbanism has become a dominant trend. The great cities of the region have become steadily larger, but cities of medium and small size have also shown continued growth. A new phenomenon accompanying these trends--the establishment of many open country industrial plants--has brought payroll jobs closer to the underemployed, low-income farmers. This process of economic development is expected to continue, although the rate of change may vary from time to time. The impact of these trends varies from section to section depending upon the character of the agriculture and, to some extent, upon the types of nonfarm jobs. The fol-

¹ This report was prepared as a contribution by TVA to the work of the U. S. Department of Agriculture in developing a program of special assistance to low-income farm families. The report was transmitted to the Secretary of Agriculture in August 1954. In response to many requests for copies, it is being reissued in its original form.

² Agricultural Economist, TVA. The report was prepared under the general direction of John Blackmore, Chief, Agricultural Economics Branch. Assistance in various phases of the work was received from Leland G. Allbaugh, Director, Division of Agricultural Relations, and Frank D. Alexander, Robert F. Hutton, Gilbert W. Stewart, Vernon Ruttan, Odom Stewart, and W. N. Thompson, all of the TVA staff.

lowing examples illustrate some of the situations in which underemployed, low-income farmers and part-time farmers find themselves.

1. In sections of the Southeast many of the low-income farmers are tenant farmers. Tenant farmers, as a rule, are more mobile than owners, and during the past decade they have migrated in large numbers to other areas and to the cities. As this migration has taken place, the number of low-income farms has been reduced, and the former tenant tracts have been integrated into larger management units. As this change has taken place, farm organization adjustments have been introduced, such as increased mechanization, increased livestock enterprises, and greater pasture acreage. In many instances emigration of the tenant has created an opportunity to make other farm adjustments.

2. In other parts of the Southeast owner operators predominate. Frequently, when these owners of low-production farms migrate, they do not immediately sell their farms. Their land does not become available for combination into neighboring farms. Thus, the neighboring underemployed, low-income farmer does not benefit from this migration. The neighboring owner does not have the opportunity to enlarge his low-income farm on a higher income basis. In addition, the terrain in many of the mountainous areas is so rough that combination frequently becomes difficult to impossible.

3. On many of the small to medium small, low-income farms in the Tennessee Valley the best-paying returns from added investment may be obtained from increased intensification upon the present acreage. This, in part, is due to the high price of land.

4. Many farmers work on low productive farms and at the same time hold non-farm jobs. The wage level may be high or low, but it largely determines the level of living of the family. For many of the low wage earners, however, a small increase in farm productivity would result in a material improvement in the level of living of the farm family.

These examples are illustrative of a few of the varied low-income and part-time farming situations. Because of this diversity and because of the limited amount of research and educational work, generalization in this field is difficult. Many of our present views on the subject are based upon casual observation and a limited amount of field experience rather than on more precise research. In order to assist in correcting this situation, TVA has initiated a program in cooperation with the land-grant colleges to deal with problems associated with part-time farming. This program is divided into three parts.

1. Analysis of the problem: This work is being conducted in cooperation with the Southeast Land Tenure Committee, on which the Department of Agriculture is represented and is an active leader. A report entitled "Problems Associated With Part-Time Farming in the Southeast" is in preparation.

2. Exploring educational techniques: In cooperation with a State college, TVA has been discussing an experimental educational program with the objectives of—

(a) Developing and testing educational techniques for working more effectively with part-time farms; and

(b) Developing insights into problems associated with part-time farming in order to isolate them for specific research.

3. Beginning specific research: Preliminary discussions have been held with another State college to define a specific area of part-time farming research. These discussions are looking toward the initiation of a research project.

Since the above program is in its initial stages, we have reached no hard and fast conclusions. We hope to obtain information permitting more definitive thinking during the coming year.

Certain general characteristics should prevail, however, in any program which is recommended. Regional, subregional, and even farm flexibility, will be an important attribute of any program device which is developed. Because of the wide variety of underemployed, low-income, and part-time farming situations, special attention should be given to program flexibility.

The many-sided nature of these problems suggests that a coordinated attack by the various interested groups would be most effective. TVA's experience in the field of dam construction is illustrative of such an integrated approach. For the successful completion of a construction project, coordinated efforts in family relocation, health, education, employee training, conservation, and many other fields were called for.

The basic responsibility for many of these public services rests with the State and local community. In order to obtain effective programing, operating responsibility should be placed with State and local units of government wherever possible.

Farming, retailing, banking, manufacturing, and other local interest groups will need to be drawn into any recommended program as active participants. Care will have to be taken, however, that class barriers do not inhibit program effectiveness. This will be particularly important in the initial stages of program development before the new channels of community communication become established.

Our thoughts on the specific questions which you raised follow in the same order as you presented them. Where similar comments were required to answer different topics, the ideas were repeated rather than referring from one question to another. At times this leads to certain repetition of comment.

PROBLEMS OF UNDEREMPLOYED RURAL PEOPLE

INCREASING PRODUCTIVITY OF UNDEREMPLOYED FARM PEOPLE IN PRESENT ACTIVITY

A. Improved credit and associated managerial services to assist full-time farmers on low-production farms,³ where good opportunities exist for adjustments to increased efficiency, to meet (a) longer-term investment needs for farm development and enlargement and (b) intermediate and short-term credit needs for increased working capital.

In certain sections of the South farmers have not had experience in the use of credit for productive purposes. Apparently their cultural heritage influences them to use credit only for personal and family emergencies. Production problems in general do not seem to fall into this category of emergency use. In other sections production credit has become so firmly established with specific types of enterprises that it is difficult to introduce new credit uses.

Many of these traditions which have grown around the use of credit undoubtedly stem from the past experiences of these people, such as having farms which are too small to support a line of credit or having borrowers who cannot adapt themselves to new enterprises. The failure to utilize credit economically may also be due in part to deficiencies in the credit institutions which historically have served these farmers. Many of these abuses are now matters of another era, but they persist in the farmer's mind to the detriment of increased farming efficiency.

In this environmental setting, therefore, the education of the individual farmer in the wise use of credit would seem to be one of the primary needs. At the outset it is probably reasonable to assume that the present credit institutions have the financial ability to serve the needs of the group. However, an educational program, developing among such farmers an appreciation of the useful role of credit in increasing farm productivity, may disclose inadequacies in the credit institutions. On the other hand, such a program may also reveal ways in which credit institutions may adapt their services to meet both the latent and immediate demand of these farmers. These matters would be subject to review after the educational program has progressed to the extent that the demand for productive credit becomes more effective.

The types of educational activity believed to be needed by these farmers follow the lines of a general educational program for sound farm management. They would seem inevitably to lead to some form of farm and home planning activity which would reveal to the farmer alternatives for increasing his income through the use of larger quantities of capital including the expansion in the size of the farm business. The planning should, ideally, include a financial plan. In this way the farmer would be in a position to appraise and decide whether to make the improvement by equity financing or by borrowing from the various sources of credit available to him.

The management competence of the individual farmer is very important to a prospective lender. It would seem, therefore, that education in the credit aspects of farming should be combined with agricultural education. This would involve the close association of the lender groups with both branches of the program. Some of the federally sponsored credit agencies, such as Farmers' Home Administration, Production Credit Association, and National Farm Loan Association, and a large number of private lenders, such as commercial banks, individuals, and insurance companies have shown a willingness to enter into

³ In conducting research, educational, and other programs in this field, a clear distinction will have to be made among underemployed farm people, low-income farmers, part-time farmers, low-income part-time farmers, and low-production farmers referred to in the outline. For some purposes these groups are clearly separable; however, for other purposes they merge. Clear-cut definitions will assist in understanding the problems of each group.

farm and home planning programs. If the lenders must bear the full burden of the educational and planning program, however, they are not apt to find loans to the low-production farmer financially attractive. Both the public and private loan agencies may engage in some lending to this type of farmer as a public service venture which is supported in part by revenues from more profitable ventures. The small size of loan and relatively high risk associated with low-income farming will not permit the lender to bear profitably any substantial burden of administrative expense out of revenues from conventional rates of interest. Public financial support of the educational and planning phases of a development program would be justified in view of the widespread nature and public importance of the problem. Means by which such a program could be integrated sufficiently with the activities of the lenders to serve the purposes of the loan agencies, as well as to meet the needs of the farmers, are a matter for further consideration and study. The possibilities of establishing trial programs of this nature under the expanded farm and home planning program should not be overlooked.

The credit needs of the low-production farmers are too imprecisely known to permit any very useful discussion of the long-term versus the short-term credit needs. Perhaps on these farms, even more than on farms generally, there is need for a more closely integrated credit program. Frequently short-term and intermediate-term credit may be extended on more favorable terms if the same credit agency could make a tie-in with real-estate security. Quite often also the separation of short-term production loans from consumption loans is most difficult in these cases. This indicates that a line of credit from a single agency covering all needs, and thus in all likelihood laying claim upon all security and earning power of the farm family, would prove most satisfactory.

B. Agricultural research and extension to develop and encourage the initiation of more profitable organization and systems of farming.

1. Research

(a) In total, research into problems related to low-production farms and the means for bringing about desirable adjustments on these farms has been limited. In addition, this research requirement should be at least partly met prior to the initiation of large-scale action programs. Our purpose in making this a special comment is to emphasize the relatively small quantity of research directed toward these problems and to emphasize that additional work should be encouraged in this field.

(b) Additional research probably should describe the characteristics of low-production farmers as they relate to farm-family development. Our knowledge in this field is greater than at any past date; however, questions remain unanswered. What percentage of the people on low productive farms are people having low labor capacity and therefore somewhat more limited job opportunities than the average farmer? For what percentage of the low-income farmers will the farm situation be the best utilization of their labor from the standpoint of both themselves and the community? How many low-income farmers are receiving public assistance and where can these people live with the greatest degree of satisfaction and economy?

(c) The improved utilization of labor on many of the low-income farms is of importance if the productivity of these farmers is to be increased. Studies are available to demonstrate that labor is utilized poorly on many farms; however, these farmers need to know the step-by-step process which they must take in order to bring about an adjustment. An expansion of what is known as work simplification research would be valuable in improving labor utilization in the Southeast. Consideration should be given to the feasibility of organizing this research on a regional basis, breaking down the types of work among the States along lines of the particular agricultural specialties of the State.

(d) Only limited research has been directed toward the process of accumulating both fixed and operating capital and the process for making the adjustment from a low-production farm to a higher production farm. The basic relationships in this problem are still not understood, as evidenced by the fact so little has been accomplished in solving them. For a few situations the capital requirements for farms organized at varying scales of production are known in a general way, and some research has been conducted which indicates the level of marginal returns to various types of capital investments in the Southeast. However, this field is just beginning to be explored, and very little of the work has been directed toward the underemployed, low-income farmer or the part-time farmer.

(e) The determination of the validity of generally recommended farm practices for farms of varying scale would assist many underemployed farm families. Research in this field would naturally be closely related to the research mentioned in item (d). In this instance more specific attention would be given to types of practices, types of machinery, resulting levels of income, etc., as they relate to the scale of farming operations. Some technical relationships and recommendations are the same for large and small scale enterprises. This is not, however, the case with all such relationships.

Machinery offers a good illustration of the differences that may be encountered between farms of different scale. If the same machine is used on small and large farms, performance rates will be quite different. Thus, the input-output ratios developed on the larger farms would not apply to the smaller.

(f) The most profitable steps in the process of intensification and farm-business enlargement for low-production farms in specific areas require further study. Intensification may be the first step toward farm-business enlargement and probably should receive initial attention, with acreage enlargement and general business expansion following. However, if credit facilities are available, some of the experience of the Farmers' Home Administration indicates that a total change may be more profitable than a growing change. On the other hand, in many areas of the Tennessee Valley the immediate possibility of a large-scale reduction in the number of farms appears to be rather small, so the possibility of acreage enlargement is often limited. Intensification on present ownership units will probably be the most feasible way to improve the levels of income for the largest number of farm families in the short run. (The research suggested under this item will be closely related to that suggested under items (d) and (e). In this instance, however, the emphasis will be primarily upon the process of enlargement.)

(g) More precise information is needed as to the effect of farm intensification upon both the individual farmer and upon agriculture in general. Even with farm intensification many underemployed, low-income farmers will still produce a relatively low income because their total resources are limited. In addition, underemployed, low-income farmers produce a relatively small, but important, proportion of the Nation's food and fiber. Before entering upon an intensification program, however, consideration should be given to its effect upon the supply of agricultural products and the resulting income to agriculture.

(h) Additional attention will have to be directed to the role of the markets in the development of these farms. For example, low-income commercial farmers may not benefit from the urbanization of an area because of lack of facilities to handle local produce.

(i) One of the most neglected areas of research relates to the environment which will create the desire for change among these farmers. This type of research is essential to "encourage the initiation of more profitable organization and systems of farming." Specific research projects should be established in this generalized field. For example, what is the role of schools, community organizations, community standards, alternative job opportunities, etc., in relation to increasing the desire for change among farm people? Many of the recent studies of the diffusion of knowledge among farmers and of community organization have made a contribution, but their findings have not been related to the process of change.

2. Extension

(a) The establishment of a few well-conceived pilot educational experiments could form the basis for developing a more effective educational program and for testing new ideas for working with underemployed, low-income farmers, and part-time farmers. Such experiments should be organized jointly among the extension service, the experiment station, and other schools in the universities, depending upon the nature of the project. Careful planning will be required so that reliable knowledge with regard to program operation and its effectiveness will result.

This type of experimental programing can be performed with a relatively small staff and budget. Each State could organize a special unit into which new ideas could be fed, developed, and tested. One result from this experimentation would be the publication of findings which would be useful to the whole extension program in each State and in other States. These reports should be such that the procedures used in the program would be well defined, and the basis for judgment as to the effectiveness of specified program techniques would be clearly stated. If a few well-conceived experimental programs were organized in this

field, we would know much more in a relatively short period of time about how to deal with these problems.

(b) Our present knowledge in the field of utilization of farm labor is such that an effective educational program could be designed to give greater emphasis to, it although additional research was called for in section B 1 (c). Part of the emphasis in this field could well be carried as a part of the expanded farm and home planning activities.

(c) In order to make an impact upon the underemployed, low-income farmers, it will probably be important to increase the amount and number of personal contacts by public and private agencies with this group of farmers. By this method increased confidence will be built with these farm people similar to that which exists with the larger commercial farmers. The initial stages of such a process will be rather time consuming, but they should be productive of results. Experience with test-demonstration farmers and with Farmers' Home Administration clients tends to support this view.

These contacts should not be narrowly limited to merely increasing the productivity of the individual farmer; the person in charge of such a program would want to be broad enough to widen the horizons of the people. By this method these underemployed, low-income farmers would become aware of the farm and nonfarm alternatives which are available to them in the utilization of their capital and labor.

(d) If these personal contacts become firmly established, intimate and personal relationships might be built whereby the educational process can be undertaken on a group basis and take on the advantage of group behavior to strengthen the program. Such group relations need to be established around topics of common interest and among people of similar status in order to keep at a minimum the social barriers which impede change.

(e) Special attention should be given to the preparation of educational materials for the low-production farmer. Frequently the small-scale farmer does not find it feasible to take the big step required to change from his present method to the one recommended in many bulletins. He needs material relevant to his alternatives. Also, the new materials can be effectively communicated by mass media, such as radio, television, newspaper, and farm journal. This is not to say that the current information is not useful, but new materials and new methods of presentation are needed.

C. Farm placement and other services to improve productivity and utilization of migratory and local hired workers.

1. The efficiency in the use and organization of migratory labor on the farm can be improved by further research. Studies of this problem generally describe the conditions under which these people work and live rather than analyze the conditions which lead to their efficient utilization. Attention should be given to such questions as the organization of labor gangs to crop production, types of jobs to be performed, conditions of management under which the migrant works, conditions of housing in relation to efficiency of job performance, and the importance of job security to productivity. This is one way of encouraging good standards of migratory or local labor utilization rather than leaving such standards up to the varying ethical considerations of the various interest groups.

2. Recent experience points to the desirability of maintaining labor recruitment offices in areas with "surplus agricultural population." It is our understanding that many of these offices have been closed during the past year and a half, thus increasing the difficulties of people who seek employment. In order to alleviate problems in both the "sending" and the "receiving" communities, the activities of organizations such as the local planning commissions might be more closely associated with the work of the employment agencies.

3. State legislation needs to be examined as to its adequacy in insuring that agricultural laborers are working under acceptable standards of health and safety.

4. Careful examination of both Federal and State standards of recruiting migratory agricultural labor is called for. The bargaining position of the migratory agricultural workers is inferior to that of the recruiting foreman or the employer, and reports of unfair practices have been circulated. Prior to the setting of such standards, however, additional research and information should be completed so that the facts of the situation will be clear.

D. Extension, research and credit services to provide information on economic aspects of part-time farming and encourage improvements in productivity and levels of living of low-income part-time farmers.

1. In view of the increasing importance of part-time farming, are changes desirable in research and extension in this field? If so, what are they?

(a) Research

(1) An understanding of the role of part-time farming in the economic development of the region is one of the pressing research needs. Some people look with disfavor upon the trend toward part-time farming and see it as a degeneration of the economy of the area. Others, in a different perspective, view part-time farming as an asset and part of the process of commercialization and industrialization which will lead to a greater and more highly developed economy in the Southeast. Research should examine the merits of such viewpoints as these and determine how best to integrate the role of part-time farming into the total developmental picture of the region. Something somewhat similar to this was done in the case of New England in the early Connecticut studies. However, with more recent advances in the theory of development a much better understanding of the place of part-time farming in the economy should be obtained.

(2) An examination of the labor-capital relationships in part-time farming is warranted. The part-time farmer's supply of labor is frequently smaller than the supply available to many southern low-income commercial farmers, but the supply of capital may be greater. Therefore, the part-time farmer may be able to intensify capitalwise and thus compensate for his labor limitation. Our research knowledge, however, in this problem is rather limited.

(3) An important question is how can low-income, part-time farmers most easily adjust to more profitable work. This question, with its several subsidiary questions, needs further investigation. One of the hypothesis related to this question is that many low-income, part-time farmers are tied to the land through the ownership and operation of a subsistence farm, and this tie to the land inhibits their mobility in seeking a higher-income job. A clarification of this point would be useful in advising part-time farmers, in operating employment services, and in assisting in the development of low-income localities. A hypothesis on the other side is that during a period of rapid social and economic change this tie to the land may give a personal and social stability which is of definite public benefit.

(4) The uncertainty and risk elements of the combined farm-nonfarm occupation are important and not fully understood. For example, what is the impact upon the farm operation and the income of the farm family when the nonfarm job is relatively unstable? The part-time farmers in the southern coal mining districts provide a good example of this occupational combination. In this instance the nonfarm employment is very unstable, and the miners have not adequately developed their agricultural activities to yield a more stable family income either in cash or in subsistence. In other areas such as the textile mill area, part-time farming has been combined with frequently erratic textile-mill work. Research should focus upon the farm family and the way it earns and spends its income. Also, careful consideration would want to be given to the effects of combining the risks and uncertainties of agriculture with the risks and uncertainties of certain types of employment.

(5) The part-time farmers and those who advise him are faced with problems of scale of farming operations. In many instances these problems are similar to those of the small-scale full-time farmer. However, the part-time farmer's capital and labor position frequently is different from that of the commercial farmer and requires special attention. As noted earlier, this research would be closely related to the capital accumulation and the labor-capital research. Similar to the full-time farm research, the types of enterprises most suitable for part-time farming and the process of adjustment will be particularly significant.

(6) The question of the best means to provide for personal security is important to part-time farmers and needs further study. Many part-time farmers state that security is one of the main motivating factors in their decision to follow this way of life. The wisdom of this expressed feeling may be questioned. For example, because of the high values capitalized into some part-time farms, the ownership of these farms may be a poor investment. In time of economic stress these farms may provide little of the frequently desired security.

(7) If persons trained in the field of agricultural economics would initiate a few research projects cooperatively with professional people interested in county and urban planning, an effective attack could be made upon problems associated with the high concentration of part-time farmers. Such problems concern the increase of land values around population centers, the provision of public services, such as schools, roads, telephones, medical service, and fire protection, and the general health and welfare of the people. In the Southeast these problems

have received relatively little attention and are becoming increasingly acute as the population tends to congregate.

(8) The effect of part-time farming upon the behavior and productivity of the plant worker is an unexplored area. In addition, what is the effect of part-time farming upon employee morale and general attitudes of work? Persons with experience in this field often have rather definite ideas as to whether part-time farming is of benefit to productivity and employee stability; however, little research evidence is available on this point.

(b) *Extension*

(1) As with the underemployed, low income full-time farmer, the task of initiating an educational program is frequently one of making contact with the people and educating them to better production techniques. The educational job in the Southeast may be somewhat different from the job of working with part-time farmers in other areas. By and large, southeastern part-time farmers come from a farm background and have some acquaintanceship with agriculture, whereas other areas may be faced with a higher percentage of part-time farmers with little or no prior farm experience. Although many of these people have had farm experience in the Southeast, they are unfamiliar with up-to-date farming techniques, and their productivity is often relatively low.

(2) Much of the discussion of research and extension in the section dealing with underemployed, low-income farmers is applicable to this section.

(3) The basic problems of part-time farmers cannot be handled on a call basis. In some localities approximately 30 to 50 percent of the calls in the county agent's office are from part-time farmers; however, in many instances only the better educated part-time farmers know where to go to obtain farming information. This situation is similar to that of the underemployed, low-income farmers. (Note the earlier comments.) The part-time farmers who will go to obtain better information usually represent only a small percentage of the total in any area. Since each man demands individual time from the county agent, the agent may spend a relatively large proportion of his time with a few of these people.

(4) If the wider group of part-time farmers is to be reached, and if means are to be found to more effectively utilize the time of educational personnel, new approaches need to be tried. The participation of part-time farmers in organized community activities varies from locality to locality. In many areas relatively few of the participants will be part-time farmers; however, it is not uncommon to find from 50 to 90 percent of the community club members in this category. Again, the part-time farmers attending these meetings are usually from the higher economic group, leaving a large number of part-time farmers receiving little or no attention. This fact does not depreciate the desirability for continuing to work in the present fashion; however, it does emphasize that new approaches are needed.

The organization of special study groups, tours, clubs, contests, demonstrations, etc., for part-time farms might help to break through the social barriers which frequently block the participation of part-time farmers in group activities. By bringing the people of similar status together, initial confidence and contacts may be established.

The enlistment of the active participation of plant management and employee organizations in carrying on an educational program should be sought. The effectiveness of such program approaches as this needs to be tested in an experimental educational program as suggested earlier.

Efforts should be directed toward the improvement of the methods of distributing mass information. For example, the use of information racks in factories, union halls, and other places frequented by part-time farmers could be tried. In addition, newspaper, magazine, radio, and television material specifically designed for the part-time farmer's interests and needs would assist in reaching a wider range of people.

(5) Research information such as that relating to soils and crops is currently available, but it could be better adapted to the needs of the part-time farmer. For example, much of this information is stated in quantities too large for the part-time farmer's use. In addition, the part-time farmer's capital and labor position requires special attention in adapting recommendations made for the full-time farmer's use. For instance, more machinery may be justified on the part-time farm than on a full-time farm of equivalent size. Further, the low-income part-time farmer may not be able to follow the advice applicable to the underemployed full-time farmer because the part-time farmer's labor time may be more fully utilized.

2. What, if any, special measures appear to be needed to meet credit needs of part-time farmers more adequately?

(a) In general, the suggestions in section A are relevant to part-time farmers as well as low-income full-time farmers.

(b) At present, the part-time farmer is generally excluded from the benefits of public-credit agencies. If the agricultural credit agencies are to include part-time farmers as a part of their regular clientele, new regulations governing their actions may need to be promulgated. For example, the part-time farmer may have difficulty in obtaining a real-estate loan on his farm because the site value of the farm has driven the appraised price above the productivity value. The regulations governing the operation of the agricultural credit agencies require that loans be based upon the agricultural productivity of the farm and little or no attention is given to the other values. In addition, these regulations frequently require that loans be made only to full-time farmers.

(c) An educational program demonstrating the need for a financial plan would assist the part-time farmer and the credit institutions. By the use of such a plan the part-time farmers would be better able to choose among alternative credit sources, and the credit institution would look at the whole financial position of the prospective borrower. Such a procedure would assist in evaluating the importance of nonfarm work in paying an agricultural loan. There seems to be some variability in how the credit institutions assess the nonfarm work when the part-time farmer borrows for agricultural purposes.

(d) Credit institutions will have to consider the effect of a high incidence of part-time farmers upon the general level of agricultural land prices. To the extent part-time farmers tend to force general land prices up on both the full-time and the part-time farms, the full-time farmer would be at a disadvantage in utilizing the facilities of the agricultural credit agencies.

3. What other special measures are needed to increase productivity of low-income part-time farmers more adequately?

More active participation of nonfarm groups in sponsoring programs to improve the position of part-time farmers should be encouraged. This would include work with industry, business, and labor.

E. Welfare considerations, general education, health, housing, social care, and related considerations relating to low-production farmers and hired workers.

1. Among the underemployed, low-income farmers of the region the general educational level of the adult population is relatively low. Moreover, the school facilities for the young are often inadequate as regards both teachers and physical equipment. The impressive list of 1- and 2-teacher schools sponsored by Save the Children Federation, a national welfare organization in the Appalachian area, is indicative of the educational needs of the region. The wide range of difference within the same county among the schools in the way of qualified teachers and modern equipment is often glaring, indicating the need for an improvement in school administration and the obtaining of added public support for school improvement.

2. The curriculum of the schools, particularly the high schools, often provides only limited training in any vocational field except agriculture. The wisdom of such a curriculum is questioned when the opportunities for the employment of rural youth in commercial agriculture are limited. For example, in the State of Tennessee the male replacement rate is such that there will be five males for every commercial farm opening. Since a large number of these youths will migrate if economic opportunities elsewhere are available, the need for occupational counseling in the public schools and a greater variety of vocational courses is important to a better development of human resources.

3. Continual effort to improve the instructional quality of the present curriculum in low-income rural areas should be supported. The improvement of the qualifications necessary to teach and the upward revision in teachers' salaries will be needed throughout the South if instructional quality is to continue to advance. A concerted effort to improve instructional quality, to relate the school to the community and the needs of its children, and to combat truancy should have a marked effect on the education of southern children.

4. Public educational programs need to have a purposive orientation in working with the low income, uneducated adult farm population. The Farmers' Home Administration activities have been of this character, but this program has worked with only a part of the problem. All public agencies dealing with this group must recognize the unique factors of this situation as contrasted to working with well-educated full-time farmers.

5. The initiation of an experimental educational program as recommended earlier would answer many of our questions in this field. For example, experi-

mentation is needed if the program barriers of inferiority feelings, a sense of not belonging, inertia, etc., are to be broken. Factors such as these are particularly important in working with the underemployed and low-income farmer.

6. Public health people have the same problem as agricultural people, namely, what is the most effective way to make contact with the underemployed, low-income farmer. An improvement in the health of these people may be a factor in combating their inertia in responding to educational opportunities. The high costs of medical and hospital care confront the low-income farmers with an insurmountable difficulty. There are areas in the region which well-trained doctors avoid because of low financial returns and of the isolation of living conditions. While a long-time attack on the problem of the low-income farmer needs to be planned, in the field of health care efforts of a practical nature to serve him today are needed. The United Mine Workers Welfare Fund and the Tennessee Medical Foundation are making some headway in this direction. However, many areas are not served by adequate facilities.

7. Improvement in the housing of many low-income farmers will involve a basic change in wants as well as in economic conditions. However, a program directed toward making simple improvements could be initiated at once in cooperation with a health program, such as screening, maintenance, water supply, and waste disposal.

8. A closer relationship between agricultural agencies and local welfare departments would help assistance cases do a better job of gardening and household management.

9. An educational program among the general population to acquaint them with the need for the present assistance program would assist in ameliorating the inferiority position of those receiving grants.

10. The crux of the attack in all these fields is securing the active participation of the low-income farm family. Most public agencies and the existing groups through which they work do not often incorporate these families, and most of them have undertaken only limited experiments to do so. If additional Federal funds for agricultural education are made available, an effort to direct them toward such an objective would be commendable.

INCREASED UTILIZATION OF UNDEREMPLOYED FARM PEOPLE IN NONFARM OCCUPATIONS

A. Information and labor-market services to enlarge nonfarm employment opportunities of rural people locally and outside the area.

1. A better interchange of information among public and private agencies making job placements would assist in increasing the mobility of labor. These agencies should be so organized and operated that they do not create barriers to the interregional movement of labor. The tendency is for persons recruiting workers in an area to discourage other people from encroaching upon their area and disturbing their supply of labor. In effect, an attempt is made to monopolize the supply of labor within the operating district. This procedure makes for easier recruitment but it tends to inhibit the mobility of workers from one area to another.

2. Recent studies by the committee of the South of new establishments show that new plants have a wider range of choice than existing plants in the manner in which they use nonwhite workers. If these new establishments could be encouraged to hire white and nonwhite people on a nondiscriminatory basis, the employment opportunities of many low-income farmers would be greatly expanded.

3. An expanded service is needed to let people know about the existence of jobs which are open and about the personal adjustments required for the new positions. When jobs become available in some southern areas, recent experience has indicated that 10 times as many people have registered for employment as there were available openings. This is an indication that effective job advertising can be performed and that people are willing to take these jobs. This is particularly true if the nonfarm job is not too distant from the present residence of the farm people.

Greater attention directed toward interregional job communication would be helpful. Evidence seems to indicate that as distance between the job and the prospective employee increases, the difficulties of communication are increased.

4. Receiving communities could well experiment with efforts to assist immigrants to become adjusted to the community. Farm people who are faced with a long move to an unfamiliar area find the uncertainties of housing, making

friends, etc., great, and these uncertainties frequently deter their movement. A community receiving center for migrants might be tried as a regular service.

B. Providing educational and training services to fit interested farm youths for nonfarm employment opportunities.

1. Both the public schools and the State employment service have definite responsibilities at this point. The agricultural extension service through its 4-H program can also assist. The rural public schools need to broaden their vocational education to include more effective training for industrial and business jobs and to acquaint students with the problems of urban living. Vocational guidance specialists attached to the public schools would be helpful in testing and giving orientation for the selection of courses. The employment services might be more closely related to the schools in giving information of job opportunities and in advising on the selection of courses. At present the employment counseling is sometimes brought into the picture at graduation time, but this is somewhat late. It could serve more effectively if it were consulted earlier.

2. The agricultural extension service in its 4-H program could give more attention to vocational guidance presenting both the agricultural and nonagricultural opportunities.

3. There is need for experimental work in this area. If in selected schools or counties some properly designed experiments or demonstrations were undertaken and case reports made thereon, valuable experience might be gained for a more comprehensive attack on the problem.

C. Information and associated services to encourage industrialization in underemployed areas.

1. Provision of local planning assistance to smaller communities would help them develop nonfarm jobs. Most of the communities in areas where underemployment is most acute are too small to employ full time planning and development personnel. Such personnel could be provided through the land-grant colleges or through State planning and development agencies. The assistance provided by the State of Tennessee through the regional offices of the State planning commission is an outstanding example of this sort of assistance.

2. Publication of information on areas of chronic underemployment in media that will reach industrial employers might aid communication. The Department of Labor presently publishes information on labor surplus areas in the Bi-monthly Summary of Labor Market Developments in Major Areas and in the Labor Market. Data on underemployment in agriculture might be published in the same media. Such a program, however, might require additional research on the measurement of underemployment in agriculture.

D. Special measures to improve and assist economic mobility of farm people where adjustments on existing units to provide productive employment is not feasible.

1. Comments in other sections are applicable to this section. Note section I. A. 1. in particular.

2. The services of the State employment service should be expanded, especially in areas of surplus population. In many areas local workers from low-income farms could be organized for harvesting activities rather than bringing in harvest labor from outside the United States if sufficient farm placement personnel were available.

3. A loan program designed to provide funds to cover moving expenses and a short period of unemployment for rural-urban migrants moving long distances might be of assistance. Such a program might be worked out on a cooperative basis among existing credit and employment agencies. However, additional investigations would be needed before such programs were initiated.

4. There is also need for a research program to determine how well existing information media transmit labor-market information to the fringe areas near urban centers and to the more distant agricultural areas.

5. The agency providing employment assistance should follow the cases through to see that adequate adjustment is made in the receiving community. Such a program would require additional expenditures, but it would also result in savings from having fewer return migrants and less conflict in the receiving community.

Senator SPARKMAN. Tomorrow we shall meet at 10 o'clock, as usual. The subject for that session will be Increasing Employment Oppor-

tunities, Earnings, and Income Security of Members of the Low-Income Population: A Summing Up.

The first witness will be Mr. Ewan Clague, Commissioner of the Bureau of Labor Statistics, who will be representing the Secretary of Labor, Mr. Mitchell.

Following Mr. Clague's testimony, the panel tomorrow will review in broad terms the areas covered in the preceding sessions.

I am glad to say Mr. Clague will remain throughout this session. (Off the record.)

Senator FLANDERS. Why is it that Malthus is right with regard to India and not with regard to Burma and Siam?

Mr. CONNER. This is a population map of Louisiana. From 1940 to 1950 there was a shift in population within the State. We are gaining on a statewide level, but within the State. I spoke of improved roads and things of that nature allowing workers to remain in their local areas and commute to work. In 1955 we have stopped migration within the area quite a bit because of improved roads. I lay it to that more than I do to almost anything.

Senator SPARKMAN. Thank you for calling that to our attention.

Senator FLANDERS. There is one point there that I think I caught as you were giving your testimony, and that was that you could travel through the rural communities at a fairly high speed. Was that your point?

Mr. CONNER. We are building some four-lane highways and bypassing towns, allowing traffic to move without being jammed up.

Senator FLANDERS. In my own town, we have had during wartimes and other times, workmen coming from as far away as 50 or 55 miles at the extreme. Of course, our roads are very crooked because of the valleys being crooked, but one of the principal reasons for the 50-mile drive is the numerous villages you pass through with varied local ordinances. Bypassing where it can be done would seem to be a very favorable undertaking for any State system.

Mr. CONNER. Yes, sir. We involve ourselves with the triangular planning system and make the communities accept the needs of bypassing; of course, don't run a highway by a school, and that kind of thing.

Senator FLANDERS. A great many New England towns 40 years ago were sending great delegations to legislatures to get the State highways to pass through the village. They are now going to the legislature asking them to send it around instead of through.

Mr. CONNER. Yes. I think it is an important factor in the whole thing.

Senator SPARKMAN. Gentlemen, I want to really express the appreciation of the subcommittee for your attendance here, and for this very fine discussion which you have given us. It will constitute a real contribution to the records of these hearings. Thank you very much.

The committee stands in recess until 10 o'clock tomorrow morning.

(Whereupon, at 4:25 p. m., the subcommittee recessed until 10 a. m., Wednesday, November 23, 1955.)

LOW-INCOME FAMILIES

WEDNESDAY, NOVEMBER 23, 1955

CONGRESS OF THE UNITED STATES,
SUBCOMMITTEE ON LOW-INCOME FAMILIES
OF THE JOINT COMMITTEE ON THE ECONOMIC REPORT,
Washington, D. C.

The subcommittee met at 10 a. m., Hon. John Sparkman (chairman of the subcommittee) presiding.

Present: Grover W. Ensley, staff director; and Eleanor M. Snyder, staff economist.

Senator SPARKMAN. Let the subcommittee come to order.

I regret that unfortunately both Senator Flanders and Mr. Kelley are unable to be with us this morning. Senator Flanders, who attended the earlier sessions, left Washington last night en route to India and the Far East. Representative Kelley is ill and could not be with us at all.

During the previous seven sessions of this subcommittee's hearings we have had detailed testimony concerning various aspects of the low-income problem. In particular, we have discussed some of the causes which we may say are associated with the individual—such as age, disability, lack of education, and so on—and others which are contingent upon the immediate economic environment. Thus we devoted 2 days of these sessions to discussion of depressed rural and industrial areas.

It seemed to us, Mr. Clague, that the program and activities of the Department of Labor impinge, directly or indirectly, on about all of the topics we have discussed earlier. Throughout the course of the testimony, as a matter of fact, there have been numerous references to the work of the Department. I am very glad, therefore, that this morning we shall be able to hear in more detail about the current and proposed activities of the Labor Department in relation to the low-income group.

We had invited Mr. Mitchell, Secretary of the Department of Labor, to be with us today. Since Mr. Mitchell personally was unable to participate in this session, I understand that Mr. Ewan Clague, Commissioner of Labor Statistics, will speak for the Department.

Is that right, Mr. Clague?

Mr. CLAGUE. That is right.

Senator SPARKMAN. Following Mr. Clague's presentation, the remainder of the session will be conducted as a panel discussion. We have asked the panelists to undertake a rather large job, in effect to

sum up some of the more important findings brought out during the earlier panel discussions, and to call attention to any apparent gaps.

Before we commence, I would like to introduce all of the witnesses.

Mr. Ewan Clague, Commissioner of Labor Statistics.

I understand that you will participate as a panel member, Mr. Clague, following presentation of your prepared statement.

Mr. CLAGUE. Yes, sir.

Senator SPARKMAN. Mr. Solomon Barkin, director of research, Textile Workers' Union of America.

Mrs. Eveline M. Burns, professor of social work, New York School of Social Work.

Mr. D. Gale Johnson, professor of economics, University of Chicago.

Mr. Isador Lubin, industrial commissioner, State of New York.

Miss Margaret G. Reid, professor of economics, University of Chicago.

As I recall, Miss Reid, you also appeared before this subcommittee at its earlier hearings held in 1949. Isn't that correct?

Miss REID. That is right.

Senator SPARKMAN. I should also like to report that Miss Hazel Kyrk, professor emeritus, University of Chicago, who was scheduled to participate in this panel, is unable to be with us because of illness.

Mr. Clague, I am very glad you are with us today. Would you proceed, please.

STATEMENT OF EWAN CLAGUE, COMMISSIONER OF LABOR STATISTICS, UNITED STATES DEPARTMENT OF LABOR

Mr. CLAGUE. Mr. Chairman, I have a longer statement here which I should like to submit for the record, if you will receive it.

Senator SPARKMAN. Yes; that will be printed in full.

(The complete statement of Mr. Clague is as follows:)

STATEMENT BY EWAN CLAGUE, COMMISSIONER OF LABOR STATISTICS, UNITED STATES DEPARTMENT OF LABOR

I want to congratulate the Joint Committee on the Economic Report on having arranged this series of hearings and thus drawing the attention of the Congress and the public to the problems of low-income families we have in our midst in this period of general prosperity. It is a matter of deep concern that at a time when average incomes have reached the highest level in the history of the country, there should remain so many families whose incomes and level of living are substandard. Improvement in the situation of low-income families depending on wages and salaries, or whose members seek to obtain employment as wage or salary workers, is one of the chief responsibilities of the Department of Labor. In fact, the entire program of the Department operates, either directly or indirectly, to raise the status of this group.

This is a particularly auspicious time to investigate the problem of low incomes. Our present levels of production and productivity give us the leeway we need to turn attention to improving the situation of the less fortunate among us. Their low-income levels are not only of humanitarian concern—they are an economic problem. Their low purchasing power has an adverse effect on the total economy. If their economic potential could be raised, they would not only add to the total output of the country and have larger incomes for themselves and their families, they would also increase consumer demand for the products of other workers.

Federal action is required in the attack on this situation, but Federal action by itself will not win the battle. A large part of the action must be taken by State and local agencies, public and private. A major part of the solution will have to be contributed by private initiative.

The joint committee's report makes clear that we do not have a satisfactory estimate of the number of consumer units (families and single persons) with substandard incomes. The committee's staff has performed a valuable service in having brought together the various statistical series bearing on the subject and on having set forth their limitations.

We all know that it is unreasonable to select any \$1 or \$2 figures as measures of income adequacy for single persons and families of all types in all parts of the United States. We need to go about the task of evaluating income adequacy for families of different size, and different degrees of activity, in different types of communities. This is not an impossible task.

We already know a great deal about translating American standards of living into the goods and services required to provide them. In the spring of 1945, the Labor and Federal Security Subcommittee of the Committee on Appropriations of the House of Representatives directed the Bureau of Labor Statistics to find out what it costs a worker's family to live in the large cities of the United States. In response the Bureau developed the City Worker's Family Budget from data on how families had actually been spending their money. It measures the level below which city people found it harder and harder to economize, being unable to shift extensively to cheaper commodities and therefore forced to do without. When this budget was priced in the larger cities of the country by the Bureau, we found that its cost varied widely from one city to another, and that there were even wider differences in any one city between the costs for single persons and families of 5 or 6. We continued to price this budget until 1951. It has now become out of date since it was based on the standards of the prewar and war periods. A revised version based on standards of living in the fifties would add greatly to our understanding of low-income problems, and provide us with a measure of differences in cost of living from region to region, and in cities of different types. Some measure of such differences is, in fact, essential for the understanding of this and a number of other important economic problems.

A new series of comparable budgets, priced nationwide, should be compared with new figures on consumer incomes and expenditures. The most recent survey covering total consumer expenditures at different income levels was made by the Bureau of Labor Statistics for urban families only, as of 1950, which was used as the basis for revising the Consumer Price Index. For the purpose of providing the administration and the Congress with a better understanding of the consumer units in the substandard group, another study of this sort should be made in such a way as to make it easy to separate those temporarily in a low-income group from those whose incomes are always substandard. A family whose income is usually over \$5,000 is in a very different situation when its income for any one year drops below \$2,000 than a family which has never had more than \$2,000.

The most recent figures available on distribution of consumer units by income are for 1954. It is gratifying to be able to state that the 1955 figures will show a considerably improved picture for industrial workers and their families. The year 1954 was one of changeover from high-level defense production to one of greater emphasis on the production of consumer goods. In that transition year, the percentage of the civilian labor force unemployed averaged 5 percent. So far in 1955, the average has been only 4.1 percent. In addition, hours of work have increased for those who are employed. The buying power of the weekly take-home pay of workers in manufacturing in October 1955 was 7 percent higher than in October 1954.

TYPES OF CONSUMERS WITH SUBSTANDARD INCOMES

Nevertheless, it is clear that there remain in our economy even in this period of widespread prosperity, several million families and single persons with substandard incomes. There is no one explanation of their situation, and no one solution of their difficulties.

There is general agreement as to the characteristics of the consumer units with substandard incomes.

Some of them live in industrial areas depressed because the demand for their products has fallen off, because the resources on which they were based have been depleted or have become obsolescent, or for other reasons. About 1 million of them live on small-scale farms without adequate equipment. Some family heads have never found jobs to which they are suited by ability or training, or who are physically handicapped in one way or another, either from birth or by accident. Others are dependent on enterprises which have fallen behind in their operating methods, either in the types of goods they produce or in their production techniques. An important proportion of those with substandard

incomes have not had adequate education and training. Then there are those whose income opportunities are limited because of prejudices against the hiring and promotion of minority groups.

About half of the nonfarm families with incomes under \$2,000 (more than 2½ million in 1954) are headed by persons who for one reason or another are not in the labor force. We know that some of those who are not employed, nor seeking work, could become employable but have become discouraged and have withdrawn from the labor force.

We recognize that some of these persons who are not working or seeking work are above what is very frequently regarded as normal retirement age. The number of low-income earners is increased by age-restrictive employment practices and arbitrary retirement policies which require that a man or woman, no matter how competent or healthy, leave work at the age of 65 or 70. The number might be reduced if more consideration were given to modification of jobs and hours of work to permit the fuller utilization of older workers. It must also be recognized, however, that with the rise in longevity in the United States, a large proportion of these family heads over 65 must depend for their livelihood on their past savings and on pension funds. We know that the savings of the families in the lower and middle income brackets are inadequate for this purpose, and that our social-security program is meeting an important need.

The problems of low-income families headed by men and women in the 45-64-year age bracket are different. Requests from employers to local offices of the Federal-State Employment Service, and studies of the situation of such workers by State and private agencies, indicate that the difficulties by most job seekers in this age bracket are considerable and in many cases unwarranted.

DEPARTMENT OF LABOR PROGRAMS, PRESENT AND PROPOSED

Older workers.—The Department of Labor has this year undertaken a series of programs designed to develop earnings and employment opportunities for older men and women consistent with their ability and willingness to work and to increase their contributions to the economy as a whole. Some of these projects will promote public understanding of the employment problems of this group in such a way as to open doors leading to suitable occupations for them, on the basis of ability, irrespective of age.

The Department is also taking steps to improve job counseling and placement of older workers through the facilities of the Federal-State Employment Service, and to encourage individualized development of job opportunities for older workers through other public and private services. It is cooperating with public and private agencies to increase the provision of such related services as vocational training and retraining, general adult education, and vocational rehabilitation, as these may be necessary to enhance the employability of older men and women. In the development of these programs, special account is taken of the occupations in which there are shortages of trained workers by creating a public awareness of the unused or underutilized skills and ability of older men and women. Such workers are also encouraged to enter shortage occupations to the extent that they can qualify immediately, or after special training, for the opportunities available.

Proposed program for depressed industrial areas.—An important proportion of the urban families falling in the low-income group are found in scattered areas of substantial and chronic unemployment. Each one of these areas has its own peculiar economic problem. I am sure you are all aware of the administration's program which President Eisenhower approved when Mr. Arthur Burns, chairman of the Council of Economic Advisers, and Mr. Gabriel Hauge, administrative Assistant to the President, presented it to him in preliminary draft last month. Since then, Secretary Mitchell has had an opportunity to discuss the program with the President. Legislation to implement this program will be presented to the Congress in January. Its details are not yet in final form, but I can say now that the Department of Labor is planning to study and report on the skills of the unemployed labor force in many of these scattered areas.

In order to provide concrete information about labor force potentials, these reports will include information on the transferability of the skills of their unemployed workers, the kinds of training they would require for new jobs of different types, and methods of setting up training programs. As many of these communities will be covered in this current fiscal year as it is possible to survey with available funds, but even at this stage in our planning, it is clear that in order to meet the needs of the most acutely depressed areas, additional funds will be required.

In some of these areas of chronic unemployment, the Department of Commerce, with which the Department of Labor will be cooperating, may find that the resources situation does not justify the development of new industrial enterprise. In such cases, the Bureau of Employment Security of the Department of Labor will survey the skills of the labor force, and, through the Federal-State Employment Service, will provide individual workers with counseling service as to the jobs available in other areas for which they are particularly adapted.

In addition, the Department will work closely with State employment security agencies in studies designed to determine whether the protection now afforded workers in these depressed areas by the unemployment insurance program is as effective as it could be. Review of the job that unemployment insurance is now doing and of ways in which it might provide more adequate protection is greatly needed.

Proposed program for low-income farm counties.—Closely related to this project for depressed industrial areas is the one concerned with low-income agricultural counties, where the work force is largely situated on farms with submarginal resources. Here again the skills of the Bureau of Employment Security will be needed to survey the education, training, job interests, and placement requirements of the population. As you know, the Agriculture Department's program contemplates the provision of technical assistance to these areas for the purpose of increasing incomes from farming and, where appropriate, supplementing farm incomes by the development of new industries based on the resources, the number and the skills of the unemployed and the underemployed workers in each area.

The Bureau of Employment Security surveys bimonthly the balance between the demand for, and the supply of workers in a large number of metropolitan centers and in many smaller urban areas. During the active agricultural seasons, reports are obtained on labor shortages or surpluses in areas where there are needs for or supplies of migratory workers. Up to the present time, however, it has not made in agricultural areas, either the intensive surveys of skills or the labor-market-classification surveys contemplated in this joint program. In addition, the program calls for an increase in the number and the staffs of offices maintained by the Federal-State Employment Service System in agricultural counties to provide expanded and improved information services to workers asking for aid in getting jobs on appropriate opportunities both inside and outside these areas. The Department of Labor is proceeding to cooperate to the fullest extent possible with the Department of Agriculture in the development of this program. However, its full participation will depend on the availability of additional funds.

Federal-State employment service.—Case studies show that one important cause of low incomes is the inability of workers to find jobs for which they are suited by capacity and training. The round peg in a round hole is much more effective incomewise than a square peg in that hole. The Federal-State employment service was organized to assist workers to find positions which they can fill with competence and satisfaction and to enable employers to locate workers with the skills they need. This service is performing a very important function but we are constantly working to improve its effectiveness. Real strides have been made in the last year in improving job counseling and placement services. One of the most important aspects of these services is the help extended to the so-called hard-to-employ groups. Older workers, inexperienced workers, handicapped workers, members of minority groups who face barriers of prejudice, and migrant workers are given special consideration by the public employment service.

The Labor Department houses and cooperates with the President's Committee on the Employment of the Physically Handicapped, which has been of great assistance in enlarging work opportunities for disabled workers.

Migrant-worker program.—It is estimated that during the course of a year there are about 500,000 migratory workers in our population. They live on the fringes of our society. They have been bypassed by much of our social legislation—State and Federal. President Eisenhower established a Committee on Migratory Labor in August of 1954 and designated Secretary Mitchell as its Chairman. The purpose of the Committee is to aid the various Federal agencies in mobilizing and stimulating more effective programs and services for migrants and in providing services to State and local areas through their constituent members.

The most important work for migrants of the Federal-State employment service is the operation of a farm placement service for agricultural workers in order to provide them with job continuity. A current point of emphasis

is the annual work plan for migratory workers. This program attempts to effect a succession of work arrangements between a specific migratory group or crew and a series of farmers so that uninterrupted employment can be maintained throughout the harvest periods. Housing and other facilities are described in employer orders cleared by the local public employment offices of this service to other areas. Where such facilities are inadequate, the employer is advised that active recruitment cannot be undertaken and that applicants will be referred to such jobs only at the worker's specific request for referral to that job opportunity. Local employment offices frequently take the lead in stimulating community planning to meet employment related problems. Such matters as housing, transportation, education, and recreation facilities may have a direct bearing on employment opportunities, especially for the migrant worker, and are therefore proper subjects for local employment service attention. I believe that this is one of the fields on which State and local agencies concerned with the employment and the levels of living of low-income families should concentrate their attention.

Unemployment insurance benefits.—Low-income families will be helped by further progress in improving the unemployment insurance program. It is now generally recognized that unemployment insurance benefits are essential to the health of an economy like our own. Rapid changes in production techniques and in consumer demand, combined with seasonal variations in labor force requirements, result in layoffs of both long and short duration. The recent speeding up of technological developments in industry, which we have come to call automation has emphasized to all of us the importance of an unemployment insurance system.

Unemployment insurance benefits are particularly important to those in the low-wage brackets who do not have savings to draw on during periods when they have no earnings. When the Federal-State unemployment insurance laws were first enacted, it was widely accepted that maximum weekly benefits should equal at least approximately one-half the worker's full-time earnings. Many of the States were slow in adjusting the maxima for their unemployment benefits to the new wage and price levels prevailing since World War II. Further, there are considerable differences among the States as to the length of the period for which unemployment benefits were paid. In his January 1954 and 1955 Economic Reports, President Eisenhower urged the States to bring their unemployment insurance laws up to date in these respects. Since then, Secretary Mitchell has corresponded with State governors about this problem.

There has been more action by the States during the past year on the maximum amount of benefits than in any year since 1939. Thirty-two States (with more than 70 percent of all covered workers) now have a maximum weekly benefit of \$30 or more. In 1955, as well as in 1954, the administration recommended a uniform potential duration for unemployment benefits of at least 26 weeks; 6 States now meet this standard, and an additional 21 States pay some workers (depending on their past earnings) benefits for 26 weeks.

There is, however, more to be done in connection with unemployment insurance benefits. Many States should further increase their benefits in line with the goals suggested by the President. The payment of unemployment benefits is not only crucial from the point of view of providing income security to wage workers and their dependents, but is also of importance for the health of the entire economy. The knowledge that workers who are laid off will not be entirely deprived of current income has a marked effect in maintaining consumer buying in periods of economic recession. The payment of these benefits is, of course, important in supporting the consumer expenditures of the unemployed. In addition, the knowledge that such benefit will be paid prevents undue curtailment of spending by workers who have not been laid off. They might otherwise, when fear of unemployment rises, reduce their outlays in such a way as to impair the normal functioning of the economy.

In order to improve services to the unemployed—at all levels of Government administration, from the planning of technical assistance projects for depressed areas and low-income agricultural counties to the counseling of workers—the Department is at present making a sample study of the characteristics of persons receiving unemployment compensation. This new survey marks the beginning of a continuing analysis. The information obtained will help to define the nature of the problems of the unemployed, and should be very useful to public and private groups in making efforts to deal with these problems.

Temporary disability insurance.—One major gap in our social insurance protection which the Department regards as important to fill is related to loss of income due to non-work-connected disability. While a portion of this problem

is being met by private and voluntary action, public action is necessary, especially if low-income workers are to receive adequate protection. Only about one-fourth of the workers now covered by unemployment insurance have disability insurance protection—these workers are in California, Rhode Island, New Jersey, New York, and in the railroad industry. The Department has drafted a bill to set up such a program in the District of Columbia. The bill was introduced in the closing days of the congressional session last year and we hope that it will receive favorable consideration by the Congress during 1956, and that it will stimulate further State action.

Minimum wages.—An important governmental device for improving the condition of low-income families is minimum wage legislation. Renewed interest in State minimum wage laws has already shown results. Since 1939 no new State minimum wage laws had been enacted until this year, when three States passed such laws. The Department responded promptly to requests from States for technical assistance in the enactment or improvement of State minimum wage laws, and will continue to do so. There are now 24 million employees to whom the Federal Fair Labor Standards Act applies, and an additional 3½ million under State minimum wage rates that have been revised or enacted in recent years. The increase in the Federal minimum wage to \$1 an hour on March 1, 1956, will require wage increases for more than 2 million employees, and others will benefit through such adjustments in differentials as the affected employers find necessary or desirable. Many of the employees who will benefit immediately are heads of households, and the preponderance of these households will be this one action move up out of the group of families with annual income of less than \$2,000.

In a highly industrial and widely diversified economy such as that of the United States, a minimum-wage law performs an important economic function. The humanitarian aspects of a minimum-wage law are obvious but its economic role is less well known. The minimum wage sets a standard in the labor market. It prods establishments that have lagged behind the bulk of American industry in operating methods, both in management and in the application of available technology, and have also lagged behind in the wages of their employees. Work that cannot pay this wage is in this way defined as submarginal. When the Congress sets a new minimum wage, it defines the standard in terms of wages paid in any employment to which the Federal law applies. Of course, the employer whose technology is up to date but whose wage policy is behind the times has to come in line if his employees are covered. The problem that the Congress has to solve, when it increases the minimum wage, is to set it at a level that is within reach of the bulk of the employers who have to raise wages of their employees. Otherwise, it can cause substantial unemployment of low-paid workers, instead of acting as an incentive to improved efficiency.

The Federal minimum-wage law establishes a minimum-wage standard for comparison in the labor market. State minimum-wage laws contribute to this program in types of employment that are outside the proper scope of the Federal law. The legal minimum-wage standards provide support for large elements in the wage structure and tend to set the tone of the labor market. These standards can directly benefit additional workers, and will be more securely established for indirectly benefiting others, if both the Federal Government and State Governments establish and maintain vigorous minimum-wage activity and periodically review the content of the minimum wage to keep it in line with the growth of the economy.

Workmen's compensation.—The receipt of monetary compensation for wage loss resulting from accidents occurring in the course of employment is of particular importance to low-income workers. Programs providing this essential monetary aid should also be accompanied by immediate first aid, complete medical care, vocational rehabilitation, and accident prevention programs. The Department of Labor administers the Federal Employee Compensation Act for Federal employment and the Longshoremen's and Harbor Workers' Compensation Act (which the Congress has adopted as the workmen's compensation law for the District of Columbia) and responds to requests from State agencies for information needed in connection with drafting or administering State workmen's compensation legislation. Last year, the Department of Labor redoubled its efforts to help the States improve such laws. As in the case of unemployment insurance benefits, there was more action on the part of the States in the field of workmen's compensation during 1955 than in any other year since 1939. However, much remains to be done.

The Labor Department has drafted and submitted to the Congress proposed legislation to increase the maximum and minimum compensation under the Longshoremen's and Harbor Workers' Compensation Act of \$50 and \$15 a week, respectively, and to reduce from 49 to 28 days the waiting period before compensation may be drawn by an injured worker for the initial period he must wait before he can draw compensation. The House bill is H. R. 5757; the Senate bill is S. 1307. Another bill (S. 2280) would carry out the recommendations of the Department of Labor respecting the maximum compensation and the retrospective waiting period, as well as other amendments to the Longshoremen's Act. This bill was favorably reported by the Senate Committee on Labor and Public Welfare and passed by the Senate on July 18, 1955.

During the last year the Department has been working on the development of a model workmen's compensation law. A discussion draft of the proposed model law will be distributed to interested State and private agencies in the very near future. When general agreement is reached on a model law, it will be available to members of State legislatures and others wishing to have a part in improving State workmen's compensation standards.

Apprenticeship.—All the available evidence on the characteristics of low-income families shows that one of the most important factors in their situation is lack of adequate education and training. Our society places a premium on versatility and adaptability and the worker who has had only an elementary-school education and no training in one of the skilled crafts is at a severe disadvantage. Recent technological developments in industry have placed increasing handicaps on such workers. The next few years will see a great expansion in the relative demand for skilled workers and technicians and a decline in the relative demand for unskilled and semiskilled workers. The Department cooperates actively with the educational institutions of the country in keeping them informed about probable future demands for skills of different types through such publications as the Job Guide for Young Workers, the Women's Bureau pamphlets on employment opportunities for women workers, and the Occupational Outlook Handbook. These materials have been widely used by high schools and colleges, not only for counseling students, but also for planning curricula. The Occupational Outlook Handbook was last revised in 1951 by the Bureau of Labor Statistics. Last July the Congress granted funds for a complete revision of this Handbook to take account of the rapid technological developments in the 1950's which have made important changes in the outlook for jobs of different types and have opened up new job opportunities.

The Department also takes an active part in promoting the training of skilled workers through apprenticeship programs. You probably do not need to be reminded of the importance of apprenticeship training, but if you do not have it in mind, I have one piece of evidence here that will help you not to forget it. It is a copy of the certificate of indenture of Senator Flanders, which he has been kind enough to let the Bureau of Apprenticeship use to dramatize to employers and workers alike the importance of apprenticeship opportunities. As I think you know, the Bureau of Apprenticeship does not carry out apprenticeship programs. It promotes and encourages such programs in cooperation with State agencies, employers, and unions. At the present time, there are approximately 163,000 apprentices taking part in apprenticeship training, sponsored by or promoted by the Department.

The President's Committee on Government Contracts.—All the information that we have on the number and characteristics of the low-income families in this country today shows that there are a disproportionate number of Negroes in this group. There are many reasons for this concentration, some of them connected with the inadequacy of educational facilities and lack of productive employment opportunities available to Negro youth. In addition, it must be recognized that, despite the great progress made in recent years, there is still discrimination against the employment and promotion of Negroes in many enterprises throughout the country. Data from the 1950 census show that in the higher educational levels differentials in incomes of men of the same age in the white and nonwhite groups are so pronounced that one can only conclude that color prejudice accounts for an important part of the income differences. Two years ago, President Eisenhower appointed a Committee on Government Contracts to promote equal opportunities in work done on private contracts paid from public funds. Vice President Nixon is Chairman of that Committee; Secretary Mitchell is the Vice Chairman. The Committee has revised the non-discrimination clause contained in Government contracts in order to make clear what constitutes discrimination in employment. It is required that notice of

the contractors agreement to comply with the provisions of this clause be posted where it can be seen by all employees and applicants for employment in work on Government contracts. The Government contracting agencies have the whole responsibility for obtaining compliance. The Committee is cooperating with them in providing information on techniques of making compliance checkups and investigating complaints. It has the responsibility for reviewing all investigations made by the contracting agencies of complaints of violation.

This Committee is also bringing President Eisenhower's equal-opportunity program to the attention of the leaders of American business. Last month, this Committee conferred with 65 presidents and board chairmen of leading firms having Government contracts to consider problems relating to racial and religious discrimination in employment. The Committee by developing an effective program for obtaining complaints of the Government contracting agencies and by increasing voluntary complaints on the part of the contractors hopes to reduce substantially the extent of racial and religious discrimination particularly in work on Government contracts.

CONCLUSIONS

The problems of those low-income families which are headed by workers and potential workers are major responsibilities of the Department of Labor. As I said earlier, every aspect of the Department's work has some implications for this group. There are programs designed to minimize economic frictions and structural imbalances in the economy—the unemployment insurance system, the Federal-State Employment Service, the minimum wage, programs for migratory workers and older workers, and programs for workmen's compensation. These must be carried on and strengthened. Work toward improving education and training is more than ever essential for students, young workers, and older workers requiring retraining. Barriers of discrimination in opportunities for employment and advancement must be removed. We believe, as I have indicated earlier, that there should be added programs attacking structural unemployment in depressed industrial areas, and in low-income agricultural counties. Further, there is need for research that will guide us in making better use of our resources in improving the productivity, incomes, and levels of living of disadvantaged workers and their families.

Secretary Mitchell has asked me to assure you that the Department of Labor will continue and improve its work toward meeting the objectives of your committee.

Mr. CLAGUE. I would like to read the first half dozen pages of this statement, and I have a summary statement which I would like to read, too.

I want to congratulate the Joint Committee on the Economic Report on having arranged this series of hearings and thus drawing the attention of the Congress and the public to the problems of low-income families we have in our midst in this period of general prosperity. It is a matter of deep concern that at a time when average incomes have reached the highest level in the history of the country there should remain so many families whose incomes and level of living are substandard. Improvement in the situation of low-income families depending on wages and salaries, or whose members seek to obtain employment as wage or salary workers, is one of the chief responsibilities of the Department of Labor. In fact, the entire program of the Department operates, either directly or indirectly, to raise the status of this group.

This is a particularly auspicious time to investigate the problem of low incomes. Our present levels of production and productivity give us the leeway we need to turn attention to improving the situation of the less fortunate among us. Their low income levels are not only of humanitarian concern, they are an economic problem. Their low purchasing power has an adverse effect on the total economy. If their economic potential could be raised they would not only add to the total

output of the country and have larger incomes for themselves and their families, they would also increase consumer demand for the products of other workers.

Federal action is required in the attack on this situation, but Federal action by itself will not win the battle. A large part of the action must be taken by State and local agencies, public and private. A major part of the solution will have to be contributed by private initiative.

The joint committee's report makes clear that we do not have a satisfactory estimate of the number of consumer units—families and single persons—with substandard incomes. The committee's staff has performed a valuable service in having brought together the various statistical series bearing on the subject and on having set forth their limitations.

We all know that it is unreasonable to select any one- or two-dollar figures as measures of income adequacy for single persons and families of all types in all parts of the United States. We need to go about the task of evaluating income adequacy for families of different size, and different degrees of activity, in different types of communities. This is not an impossible task.

We already know a great deal about translating American standards of living into the goods and services required to provide them. In the spring of 1945, the Labor and Federal Security Subcommittee of the Committee on Appropriations of the House of Representatives directed the Bureau of Labor Statistics "to find out what it costs a worker's family to live in the large cities of the United States."

In response, the Bureau developed the city worker's family budget, from data on how families had actually been spending their money. It measures the level below which city people found it "harder and harder to economize, being unable to shift extensively to cheaper commodities and therefore forced to do without."

When this budget was priced in the larger cities of the country by the Bureau we found that its cost varied widely from one city to another, and that there were even wider differences in any one city between the costs for single persons and families of 5 or 6. We continued to price this budget until 1951. It has now become out of date since it was based on the standards of the prewar and war periods. A revised version based on standards of living in the 1950's would add greatly to our understanding of low-income problems, and provide us with a measure of differences in cost of living from region to region, and in cities of different types. Some measure of such differences is, in fact, essential for the understanding of this and a number of other important economic problems.

A new series of comparable budgets, priced nationwide, should be compared with new figures on consumer incomes and expenditures. The most recent survey covering total consumer expenditures at different income levels was made by the Bureau of Labor Statistics for urban families only, as of 1950, which was used as the basis for revising the consumer price index. For the purpose of providing the administration and the Congress with a better understanding of the consumer units in the substandard group, another study of this sort should be made in such a way as to make it easy to separate those temporarily in a low-income group from those whose incomes are always substandard. A family whose income is usually over \$5,000

is in a very different situation when its income for any one year drops below \$2,000 than a family which has never had more than \$2,000.

The most recent figures available on distribution of consumer units by income are for 1954. It is gratifying to be able to state that the 1955 figures will show a considerably improved picture for industrial workers and their families. The year 1954 was one of changeover from high-level defense production to one of greater emphasis on the production of consumer goods. In that transition year, the percentage of the civilian labor force unemployed averaged 5 percent. So far in 1955, the average has been only 4.1 percent. In addition, hours of work have increased for those who are employed. The buying power of the weekly take-home pay of workers in manufacturing in October 1955 was 7 percent higher than in October 1954.

Nevertheless, it is clear that there remain in our economy even in this period of widespread prosperity several million families and single persons with substandard incomes. There is no one explanation of their situation, and no one solution of their difficulties.

There is general agreement as to the characteristics of the consumer units with substandard incomes.

Some of them live in industrial areas depressed because the demand for their products has fallen off, because the resources on which they were based have been depleted or have become obsolescent, or for other reasons. About 1 million of them live on small-scale farms without adequate equipment. Some family heads have never found jobs to which they are suited by ability or training, or who are physically handicapped in one way or another, either from birth or by accident. Others are dependent on enterprises which have fallen behind in their operating methods, either in the types of goods they produce or in their production techniques. An important proportion of those with substandard incomes have not had adequate education and training. Then there are those whose income opportunities are limited because of prejudices against the hiring and promotion of minority groups.

About half of the nonfarm families with incomes under \$2,000—more than 2½ million in 1954—are headed by persons who for one reason or another are not in the labor force. We know that some of those who are not employed, nor seeking work, could become employable but have become discouraged and have withdrawn from the labor force.

We recognize that some of these persons who are not working or seeking work are above what is very frequently regarded as normal retirement age. The number of low-income earners is increased by age-restrictive employment practices and arbitrary retirement policies which require that a man or woman, no matter how competent or healthy, leave work at the age of 65 or 70. The number might be reduced if more consideration were given to modification of jobs and hours of work to permit the fuller utilization of older workers. It must also be recognized, however, that with the rise in longevity in the United States a large proportion of these family heads over 65 must depend for their livelihood on their past savings and on pension funds. We know that the savings of the families in the lower and middle income brackets are inadequate for this purpose, and that our social-security program is meeting an important need.

The problems of low-income families headed by men and women in the 45- to 64-year-age bracket are different. Requests from employ-

ers to local offices of the Federal-State Employment Service, and studies of the situation of such workers by State and private agencies, indicate that the difficulties met by most job seekers in this age bracket are considerable and in many cases unwarranted.

At this point my paper goes on to a discussion of the Labor Department programs. I would like to summarize them briefly, if I may, in a statement.

Senator SPARKMAN. That will be entirely satisfactory. The entire statement will be printed in the record.

Mr. CLAGUE. These are the Department of Labor programs, present and proposed, designed to raise the status of low-income groups.

First, older workers. A series of programs designed to develop earnings and employment opportunities for older men and women consistent with their ability and willingness to work. It includes promoting public understanding and increasing opportunities on the basis of ability, irrespective of age; improving job counseling and placement through the Federal-State Employment Service; cooperating with public and private agencies to increase opportunities for training and retraining.

No. 2: Proposed programs for depressed industrial areas and low-income farm counties: The Department of Labor's part in these proposed cooperative programs, as planned, will include studies and reports on skills of the unemployed and underemployed labor force in many of these scattered areas, the transferability of their skills, kinds of training required, advice to State and local agencies on methods of setting up training programs, and counseling of individual workers as to jobs available in these and other areas.

No. 3: Federal-State Employment Service: This Service is constantly working to improve its job counseling and placement. One of the most important aspects of this work is the help extended to older workers, inexperienced workers, handicapped workers, members of minority groups facing barriers of prejudices, and migrant workers.

No. 4: Migrant-worker programs: The Farm Placement Service of the Federal-State Employment Service has always emphasized placement of migratory workers and attempted to promote job continuity for them. Its annual work plan promotes work arrangements between specific migratory groups or crews and a series of farmers to maintain uninterrupted employment.

No. 5: Unemployment insurance benefits: A number of States have taken action on President Eisenhower's recommendations as to raising unemployment insurance benefits and to increasing potential duration of benefits to at least 26 weeks. There is, however, much more to be done in this connection and the Department is urging the States to work toward the goals recommended by the President. The Department this year is making the first of a continuing series of sample studies of the characteristics of persons receiving unemployment compensation in order to provide the basis for improving services to the unemployed.

No. 6: Temporary disability insurance: Only about one-fourth of the workers now covered by unemployment insurance have insurance protection for non-work-connected disability. The States not having such programs should develop them. A bill providing such a program for the District of Columbia was introduced in the closing days

of the congressional session last year, and we hope that it will receive favorable consideration by the Congress during 1956.

No. 7: Minimum wages: The Federal Fair Labor Standards Act applies to 4 million employees and an additional 3½ million are affected by State minimum-wage rates. The increase in the Federal minimum wage effective March 1, 1956, will require wage increases for more than 2 million employees.

No. 8: Workmen's compensation: The Department of Labor administers the Federal Workman's Compensation Act relating to Federal employment, and the Longshoremen's and Harbor Workers' Compensation Act, which the Congress has adopted as the workmen's compensation law for the District of Columbia; it responds to requests from State agencies for assistance needed in connection with drafting or administering State workmen's compensation legislation. Amendments sponsored by the Department of Labor to the Longshoremen's and Harbor Workers' Compensation Act, and thus to the law of the District of Columbia, are now pending before the Congress.

During the last year the Department has been working with State commissioners of workmen's compensation and other experts on the development of a model workmen's compensation law. A discussion draft of the proposed model law will be distributed to interested State and private agencies in the very near future. It is expected that when general agreement is reached on a model law it will be considered by State legislatures wishing to amend laws now in force.

No. 9: Apprenticeship: Recent technological developments in industry have placed increasing handicaps on workers who have only elementary school education and no training in one of the skilled crafts. The Bureau of Apprenticeship promotes and encourages programs for training skilled workers in cooperation with State agencies, employers, and unions. At the present time there are approximately 163,000 apprentices taking part in training programs sponsored or promoted by the Department. The Department cooperates actively with the educational institutions of the country in keeping them informed through various Department publications about future demands for skills of different types. Last July, the Congress granted funds for a complete revision of the Occupational Outlook Handbook to take account of the rapid technological developments in the 1950's, which have made important changes in the outlook for jobs of different types and have opened up new job opportunities.

At this point, Mr. Chairman, I would like to mention, although Senator Flanders is not here, that the Department of Labor in its publication Apprenticeship, Past and Present, has reproduced the apprenticeship certificate which Senator Flanders signed in 1897 when he started his apprenticeship.

No. 10—President's Committee on Government Contracts: There are a disproportionate number of Negroes among low-income families. Despite great progress in recent years, there is still discrimination against the employment and promotion of Negroes in many enterprises throughout the country. President Eisenhower's Committee on Government Contracts promotes equal opportunities in work done on private contracts paid by Government funds. The Committee has revised and clarified the nondiscrimination clause contained in such contracts and assisted Government contracting agencies in obtaining

compliance. Last month this Committee conferred with 65 presidents and board chairmen of leading firms having Government contracts to consider problems relating to racial and religious discrimination in employment.

Mr. Chairman, that summarizes our Department program.

Senator SPARKMAN. Thank you. I shall make it a point to call Senator Flanders' attention to the apprenticeship papers which he signed in 1897. He made some reference here the other day to something he signed about 50 years ago. He didn't go back that far, though. That is 60.

Now we will call on each of the other panelists for a statement.

By the way, throughout these hearings we have asked the panel members to hold their statement to a period of 5 to 10 minutes, not more than 10 minutes, in order that we may have as much time as possible for discussion and a free exchange of ideas. Of course, your full statement will be printed, as is true in all cases.

Now, Mr. Barkin, we will hear from you.

**STATEMENT OF SOLOMON BARKIN, DIRECTOR OF RESEARCH,
TEXTILE WORKERS UNION OF AMERICA, CIO**

Mr. BARKIN. Senator Sparkman, we are very much delighted at the course of these hearings, particularly in the fine efforts of your committee to bring to light the problems of the distressed communities.

The accent in the hearings to date has been on the personal handicaps and unfortunate position of special groups and the limitations on employment opportunities or resources in some communities as causes of low income. Improvements in the health and education of our population, rehabilitation, and retraining for those who require same, the economic development of depressed and undeveloped rural and urban areas, financial aid to the disabled, retired, and mothers, and educational support for the young would improve personal qualifications and advance our national well-being. But in this concentration on the characteristics of the low-income population, the inquiry has overlooked the major remedy and cornerstone of a program aimed at eliminating low incomes: higher wage rates for the underpaid and discriminated-against employees. The principal handicap or deterrent to higher earnings is not personal deficiencies in the vast proportion of cases, but inadequate bargaining power induced by lack of employment opportunities, immobility, and social, economic and political restraints upon their ability to organize into unions to fight for more equitable wage levels.

MINIMUM WAGE LAWS SHOULD BE EXTENDED ACROSS THE COUNTRY

The primary cause of substandard wage rates is to be found in our economic organization and not in the individual. Employers in many industries are reluctant to pay decent wage rates and those who do are often restrained by competitive forces from raising rates to appropriate levels. The fringe of the industry exploits its labor force and resists efforts at raising the wage level. Without the aid of legislative minimum wage floors or industrywide collective bargaining,

it is difficult to lift these minimum rates or establish uniform decent wages. Modern minimum wage legislation and greater administrative support to workers' efforts to organize will do much to reduce the cause of low incomes among millions of employees.

We have learned this lesson at the Federal level. Beginning in 1933 with the NIRA and then in 1938 with the Wage and Hour Act, Federal legislation has raised the minimum wage from 25 cents to 40, and then to 75 cents, and on March 1, 1956, it will be \$1 per hour: Our experience indicates that these adjustments were successfully made and the new \$1 minimum will be smoothly introduced.

The unfortunate fact is that only 22.2 million workers are affected by this Federal minimum wage—the difference between Mr. Clague's figure and mine is that his estimates are largely for September 1953, and mine are for March 1954—where 6.3 million who are covered are exempt from the minimum; another 5 million are uncovered because of the restrictiveness of the interstate commerce clause and another 11 million are uncovered because they are employed by intrastate industries, and 6 million are in public employments.

While 20 States and 4 Territories have minimum wage laws, their coverage is limited, action is slow, and the rates are generally far below the Federal \$1 minimum, except for Alaska, which has a \$1.25 minimum. Even State and local governments continue to pay some of their employees less than this rate. It is probable that on March 1, 1956, when the Federal minimum becomes effective, more than 25 percent of the millions of workers in the United States who are either exempt or not covered by the Federal law, and not in agriculture and service or public employments, will be earning less than \$1 per hour.

The immediate remedy for this group of underpaid workers is the extension of the coverage of the Federal Fair Labor Standards Act to the same limits as now exist for the National Labor Relations Act, not as, of course, applied by the new NLRB, but as originally applied by the Board, and for the individual States to adopt similar statutory standards for their intrastate industries.

Not only will millions of persons be lifted from the substandard earnings level by the adoption of a legal minimum of \$1 but the very step will initiate the process of developing self-reliance enabling individuals and the communities to solve some of their problems. The payment of a decent minimum wage is the first step toward providing individuals with incentives for self-advancement. The exploited and underpaid are discouraged and enervated to the point of resignation by their inferior lot. The new fount of purchasing power will also provide new markets and a sound base for the stimulation of new industries.

I am very happy to report that Mr. Drew Pearson in yesterday's column indicates that Dr. Burns, of the Council of Economic Advisers, believes that the minimum wage of \$1 will provide a very important prop to the maintenance of our economy. Despite the administration's opposition to \$1, they now find the dollar is a very welcome addition to maintaining the economy which is now operating at high level. The increased taxable capacity will enable more communities to solve more of their own problems.

JOB REDESIGN SHOULD SUPPLEMENT REHABILITATION AND
SELECTIVE PLACEMENT

While the current emphasis on physical, psychological, and rehabilitation, educational, and selective placement is constructive, it must be joined by a second program of job redesign to provide jobs for persons of limited capacities. The emphasis in American social work and personnel practice has been upon help to individuals to reestablish their complete equality with the mass of job seekers. Even after all steps have been taken to achieve this goal, many individuals are not likely to be entirely competitive. The protagonists of the rehabilitation process depend upon employers voluntarily finding employment for these persons among the existing jobs.

But reliance on selective placement is not adequate for the solution to this problem. It must be coupled with an emphasis upon employers building jobs for all people. In a full employment economy, selective placement is not enough; jobs must be available for those who seek them and for those who are really employable. Employers must shoulder the responsibility by setting up the jobs so that persons with specific limited qualifications can meet them.

Agencies serving these people must awaken the public recognition to the simple fact that jobs are manmade. They must reflect the supply of workers available. The jobs must be tailored or else there will be a gap between the supply of workers and the supply of jobs, as is now visible in the Employment Office reports of job vacancies and applicants. Our engineering skill is adequate to make jobs efficient. Already the human engineers guide the airplane designer toward making the machine fit man's capabilities. We must insist that the industrial engineers be guided by the human engineers in the making of jobs in industry fit the people employed in it. The growing importance of the older workers in our community makes this step even more important than ever before.

One of the exhibits I have introduced, Senator Sparkman, is one which details the progress and developments in this area, and I hope that that would be included in the report for people to become more familiar with some of the thinking in this field.

The third area on which I have been requested to make some comment is the one on distressed rural and urban areas. Representing, as I do, the textile workers' union, this has been a subject on which we have had many occasions to comment and to urge congressional action.

The current hearings are emphasizing a third major approach toward lifting the pall of the substandard incomes. It is aid to the depressed and underdeveloped rural and urban areas. We have relied too long solely upon local initiative and resources to stimulate these areas. But we know from our practical experience that this is not a job for local amateurs, and reliance upon them will prove costly, time consuming, and unprofitable.

I am very happy to have listened to the testimony, particularly of yesterday afternoon, where this conclusion was reiterated by so many of your witnesses as compared with the rather optimistic reports of the morning witnesses who tended to underestimate the failings of their own technique.

The lessons we have learned from our international efforts at stimulating economic growth in foreign countries should be applied in this country. Despite our great needs, we have avoided using the skills we have acquired abroad, reassuring ourselves that they are not needed at home. The presence of the great numbers of distressed communities belies this conclusion.

Fortunately, the present administration has recently revived the older provisions for aid to rural areas in the form of training and technical assistance and modest amounts of credit.

Of course, I think it might be well, Senator, if you introduce somewhere in the record the statement that you introduced in the Congressional Record of July 27, comparing your bill and previous programs of your committee of 1951.

Senator SPARKMAN. That has been done already.

Mr. BARKIN. Very well. I thought it pointed up the important fact that this administration is just getting around to doing some of the things that we were proposing a number of years ago. We welcome their action, but we wish they would be a little faster about it.

Senator SPARKMAN. I commented to Under Secretary Morse, who was here, that I wished they would go about it in a bolder manner. It seems to me that the program that is proposed is entirely too small to make a real attack on this problem.

Mr. BARKIN. I think that would be characteristic of many of the programs which they have undertaken in this area, both in the field of social security and in the field of assistance to the older persons, and in other types of similar legislation. I should like to comment about that somewhat later in our panel discussion.

A more ambitious program is necessary for the urban depressed areas. In them more far-reaching changes have to be made since they have usually lost older locational advantages and new ones have to be found. Reviving an economic area is more than a process of attracting individual plants. It is a procedure for creating, if necessary, local advantages which have not previously existed. It includes finding untapped natural resources; providing new communication lines; constructing new facilities; relating the communities to universities and their resources, and similar projects. Maturely developed plans must be built on careful study and adequate finances. Such deliberate planning has not recently been undertaken in this country. The outstanding model in American economic life is the TVA. Its lessons must be more widely adopted. In my text I compare the TVA with the BAWI in Mississippi, showing the contrast in spirit.

Provisions for migration and movement are highly desirable but not the answer to depressed areas. They may have provided a solution for those stranded in mining ghost towns. But it is not sufficient or wise to counsel the abandonment of the urban community. In our highly mobile country, millions are moving and locating in new sites. Economic attractions provide incentives for many to migrate. Assistance to individuals may increase the movement. But the older areas must not be deprived of all young, vigorous, and enterprising elements. They need these people to lead the rehabilitation and regrowth progress. The social investment in the older com-

munities as well as the many human ties and values must not be sacrificed to sweeping shifts of questionable value.

The revitalization of many areas can be significantly accelerated by helping declining industries reevaluate their position and aid them to find new markets or products for their essential processes and equipment. In these older industries research on processes and materials and products or on the use of the skills and knowledge has been neglected. The industry, in most instances, has not bestirred itself to find a basis for new growth.

Federal agencies should be organized to aid labor and management groups within their industry to organize themselves for such close study and for laying of foundations of expansion. Such assistance is vital for the textile industry, for the managements of the production facilities have not adequately related themselves to their markets and materials, and failed to provide the leadership for the wider application of textile products to our industrial and household life.

The last issue is on the question of social security, on which I am not commenting in detail, because other persons will.

We believe, as several witnesses have indicated, that the victims of technical and social change should be assisted financially and personally by the community through governmental agencies. The high rate of change in productivity resulting from innovations such as automation, and changes in location and social habits inflict great injury upon individuals adversely affected by them. The benefits enjoyed by the majority necessitate great solicitude for the injured individuals. Some may be helped through retraining and rehabilitation programs, others by assistance in migration, and still others by extended unemployment benefits, severance pay or supplementary unemployment insurance. But others become permanently unemployed. The social-security programs developed by both Government and industry must be adequate to enable them to maintain themselves at an economic level compatible with the dignity we assign to our people. These are small social costs for the benefits we derive from a progressive industrial society.

The minimum social benefits and standards should be coupled with a program assuring all an opportunity to realize their potentialities and free them of the handicaps of poverty and disability. To realize these needs our educational facilities must be extensively expanded.

We must approach the problem of financing to costs of agencies helping develop and maintain our people with the realization that economics is the study of the efficient use of our resources, including our citizens. There is no greater waste than the neglect of our human resources. People are our most precious resource. They must be given the opportunity to unfold their gifts and reward the Nation with their inventiveness and labors. Our most rewarding investment is in our people.

We have urged programs for education, medical care, rehabilitation, adequate minimum wages, extensive collective bargaining and sound job engineering with the knowledge that these are sound policies and public investments. They can assure us of the talent and the manpower with which to continue our national, political, and industrial progress. Humanitarianism and economics join hands in underwriting such a program.

(The complete statement of Mr. Barkin is as follows:)

PROGRAMS FOR LIFTING THE STATUS OF LOW-INCOME GROUPS

Solomon Barkin, director of research, Textile Workers Union of America, CIO

The accent in the hearings to date has been on the personal handicaps and unfortunate position of special groups and the limitations on employment opportunities or resources in some communities as causes of low income. Improvements in the health and education of our population, rehabilitation, and retraining for those who require same, the economic development of depressed and undeveloped rural and urban areas, financial aid to the disabled, retired, and mothers, and educational support for the young would improve personal qualifications and advance our national well-being. But in this concentration on the characteristics of the low-income population, the inquiry has overlooked the major remedy and cornerstone of a program aimed at eliminating low incomes—higher wage rates for the underpaid and discriminated-against employees. The principal handicap or deterrent to higher earnings is not personal deficiencies in the vast proportion of cases but inadequate bargaining power induced by lack of employment opportunities, immobility, and social, economic, and political restraints upon their ability to organize into unions to fight for more equitable wage levels.

Minimum wage laws should be extended across the country

The primary cause of substandard wage rates is to be found in our economic organization and not in the individual. Employers in many industries are reluctant to pay decent wage rates and those who do are often restrained by competitive forces from raising rates to appropriate levels. The fringe of the industry exploits its labor force and resists efforts at raising the wage level. Without the aid of legislative minimum wage floors or industrywide collective bargaining, it is difficult to lift these minimum rates or establish uniform decent wages. Modern minimum-wage legislation and greater administrative support to workers' efforts to organize will do much to reduce the cause of low incomes among millions of employees.

We have learned this lesson at the Federal level. Beginning in 1933 with the NIRA and then in 1938 with the Wage and Hour Act, Federal legislation has raised the minimum wage from 25 cents to 40, and then to 75 cents, and on March 1, 1956, it will be \$1 per hour. Our experience indicates that these adjustments were successfully made and the new \$1 minimum will be smoothly introduced.

The unfortunate fact is that only 22.2 million workers are affected by this Federal minimum wage, whereas 6.3 million who are covered are exempt from the minimum; another 5 million are uncovered because of the restrictiveness of the interstate-commerce clause and another 11 million are uncovered because they are employed by intrastate industries, and 6 million are in public employments.

While 29 States and 4 territories have minimum-wage laws, their coverage is limited, action is slow and the rates are generally far below the Federal \$1 minimum. Even State and local governments continue to pay some of their employees less than this rate. It is probable that on March 1, 1956, when the Federal minimum becomes effective, more than 25 percent of the millions of workers in the United States who are either exempt or not covered by the Federal law, and not in agriculture and service or public employments, will be earning less than \$1 per hour.

The immediate remedy for this group of underpaid workers is the extension of the coverage of the Federal Fair Labor Standards Act to the same limits as now exist for the National Labor Relations Act and for the individual States to adopt similar statutory standards for their intrastate industries.

Not only will millions of persons be lifted from the substandard earnings level by the adoption of a legal minimum of \$1 but the very step will initiate the process of developing self-reliance enabling individuals and the communities to solve some of their problems. The payment of a decent minimum wage is the first step toward providing individuals with incentives for self-advancement. The exploited and underpaid are discouraged, and enervated to the point of resignation by their inferior lot. The new fount of purchasing power will also provide new markets and a sound base for the stimulation of new industries. The increased taxable capacity will enable more communities to solve more of their own problems.

Job redesign should supplement rehabilitation and selective placement

While the current emphasis on physical, psychological and educational rehabilitation and selective placement is constructive, it must be joined by a second program of job redesign to provide jobs for persons of limited capacities. The emphasis in American social work and personnel practice has been upon help to individuals to reestablish their complete equality with the mass of job seekers. Even after all steps have been taken to achieve this goal, many individuals are not likely to be entirely competitive. The protagonists of the rehabilitation process depend upon employers voluntarily finding employment for these persons among the existing jobs.

But reliance on selective placement is not adequate for the solution to this problem. It must be coupled with an emphasis upon employers building jobs for all people. In a full-employment economy, selective placement is not enough; jobs must be available for those who seek them and are really employable. Employers must shoulder the responsibility by setting up the jobs so that persons with specific limited qualifications can meet them.

Agencies serving these people must awaken the public recognition to the simple fact that jobs are man-made. They must reflect the supply of workers available. The jobs must be tailored or else there will be a gap between the supply of workers and the supply of jobs. Our engineering skill is adequate to make jobs efficient. Already the human engineers guide the airplane designer toward making the machine fit man's capabilities. We must insist that the industrial engineers be guided by the human engineers in the making of jobs in industry fit the people employed in it. The growing importance of the older workers in our community makes this step even more important than ever before.

Vigorous, effective, continuing aid to distressed rural and urban areas imperative

The current hearings are emphasizing a third major approach toward lifting the pall of the substandard incomes. It is aid to the depressed and underdeveloped rural and urban areas. We have relied too long solely upon local initiative and resources to stimulate these areas. But we know from our practical experience that this is not a job for local amateurs and reliance upon them will prove costly, time consuming, and unprofitable. The lessons we have learned from our international efforts at stimulating economic growth in foreign countries should be applied in this country. Despite our great needs, we have avoided using the skills we have acquired abroad, reassuring ourselves that they are not needed at home. The presence of the great numbers of distressed communities belies this conclusion.

Fortunately, the present administration has recently revived the older provisions for aid to rural areas in the form of training and technical assistance and modest amounts of credit. A more ambitious program is necessary for the urban depressed areas. In them more far-reaching changes have to be made since they have usually lost older locational advantages and new ones have to be found. Reviving an economic area is more than a process of attracting individual plants. It is a procedure for creating, if necessary, local advantages which have not previously existed. It includes finding untapped natural resources; providing new communication lines; constructing new facilities; relating the communities to universities and their resources, and similar projects. Maturely developed plans must be built on careful study and adequate finances. Such deliberate planning has not recently been undertaken in this country. The outstanding model in America economic life is the TVA. Its lessons must be more widely adopted.

Provisions for migration and movement are highly desirable but not the answer to depressed areas. They may have provided a solution for those stranded in mining ghost towns. But it is not sufficient or wise to counsel the abandonment of the urban community. In our highly mobile country, millions are moving and locating in new sites. Economic attractions provide incentives for many to migrate. Assistance to individuals may increase the movement. But the older areas must not be deprived of all young, vigorous, and enterprising elements. They need these people to lead the rehabilitation and regrowth progress. The social investment in the older communities as well as the many human ties and values must not be sacrificed to sweeping shifts of questionable value.

Liberal social security, training and development programs vital

We believe, as several witnesses have indicated, that the victims of technical and social change should be assisted financially and personally by the community through governmental agencies. The high rate of change in productivity resulting from innovations such as automation, and changes in location and social

habits inflict great injury upon individuals adversely affected by them. The benefits enjoyed by the majority necessitate great solicitude for the injured individuals. Some may be helped through retraining, and rehabilitation programs, others, by assistance in migration and still others, by extended unemployment benefits, severance pay or supplementary unemployment insurance. But others become permanently unemployed. The social-security programs developed by both Government and industry must be adequate to enable them to maintain themselves at an economic level compatible with the dignity we assign to our people. These are small social costs for the benefits we derive from a progressive industrial society.

The minimum social benefits and standards should be coupled with a program assuring all an opportunity to realize their potentialities and free them of the handicaps of poverty and disability. To realize these needs our educational facilities must be extensively expanded.

The revitalization of many areas can be significantly accelerated by helping declining industries reevaluate their position and aid them to find new markets or products for their essential processes and equipment. In these older industries research on processes and materials and products or on the use of the skills and knowledge have been neglected. The industry, in most instances, has not bestirred itself to find a basis for new growth.

Federal agencies should be organized to aid labor and management groups within the industry to organize themselves for such close study and for laying of foundations for expansion. Such assistance is vital for the textile industry, for the managements of the production facilities have not adequately related themselves to their markets and materials, and failed to provide the leadership for the wider application of textile products to our industrial and household life.

We must approach the problem of financing the costs of agencies helping develop and maintain our people with the realization that economics is the study of the efficient use of our resources, including our citizens. There is no greater waste than the neglect of our human resources. People are our most precious resource. They must be given the opportunity to unfold their gifts and reward the Nation with their inventiveness and labors. Our most rewarding investment is in our people.

We have urged programs for education, medical care, rehabilitation, adequate minimum wages, extensive collective bargaining, and sound job engineering with the knowledge that these are sound policies and public investments. They can assure us of the talent and the manpower with which to continue our national, political, and industrial progress. Humanitarianism and economics join hands in underwriting such a program.

CORRECTION OF LOW-WAGE RATES AND EARNINGS

Effects of low wages

Many of the low-income problems, insofar as they affect employees as distinct from the self-employed, stem from low wage and salary rates. These create the base from which many serious social problems arise. If we are to tackle the challenge of physical deficiencies, inadequate education, insufficient vocational preparation or prolonged disability, it is not enough to think in terms of specific immediate remedies. It is vital to consider long-term solutions of the causes for these conditions. We must create a new setting favorable to healthy growth and individual development. Investments in immediate improvements will be lost if a sound permanent economy is not created for the individual community and the Nation. Good health deteriorates unless the person can buy the foods he needs, live in a decent house, and be relieved of the continuous pressures of anxiety and tumult resulting from poverty. Development demands ambition. The economically downtrodden usually do not have the incentive for such advances.

The committee does not need to be told that low incomes cut down the nutritional levels below reasonable standards. Its last report repeatedly emphasized this conclusion. Inadequate incomes impair the health of both the worker and his family. It leaves scars in the succeeding generations. The social investment in people is wiped out by the high death rates among the low-income groups. High disability and morbidity increase social costs. The Nation suffered from the high rejection rates among the low-income groups during the war. The Nation and urban communities are beset with slum problems as low-income families have had to huddle in dilapidated structures to secure any housing and this continued occupancy has delayed rehabilitation and limited the demand for

new housing. These deficiencies create social costs and low economic efficiency. Low-income families reduce taxable capacity. A decent minimum wage throughout the Nation would do much to eliminate these conditions.

Extent of substandard wages

With the passage of the \$1 minimum wage by the Congress, we have advanced another step toward the correction of substandard wage rates in the United States. True, we in the trade union movement had set our immediate goal at \$1.25 but the enacted minimum is itself an improvement.

In May 1955, it was estimated that 1,271,000 workers or 5.7 percent of the population covered by the wage and hour law would receive direct wage increases as a result of the \$1 minimum. Since that date, many wage adjustments have been made so that, as the effective date of March 1, 1956, rolls around, the number will be measurably smaller.

The significant fact is that as of April 1954 only 22.2 million workers were covered by the law. Outside of its control were an equal number of wage and salary workers in private industry and 6.9 million workers in public employments.

The proportions of low wage and salary rates in the United States are suggested by the fact that in 1954, 39.7 percent of the persons receiving wage and salary incomes, who numbered 58.7 million persons, obtained \$2,000 or less in wages or salaries. The proportion among the men was 27.3 percent and among the women, 61.8 percent. More than half of the persons earning less than \$2,000 (54 percent) had no other income than their wages and salaries. Another 10 percent had their income supplemented by earnings from self-employed occupations or other sources.

For present purposes it would be desirable to present an estimate of the number of workers not covered by the wage and hour law minimum wage who will be receiving less than \$1 per hour at the time it becomes effective. Unfortunately, these facts are not available and we urge the committee to place high upon its agenda for further study a request of the United States Department of Labor for a comprehensive survey of the distribution of earnings in the nonmanufacturing industries. On the basis of the current information obtained during the course of the investigation of the potential effect of the \$1 minimum upon the employees covered by the wage and hour law, it is conservative to estimate that no less than 25 percent of the workers in the noncovered industries, exclusive of agriculture, fisheries and forestries, and service occupations, will be receiving less than \$1 per hour in March 1956. In some components, such as the retail trade, the proportion is significantly larger. In the service occupations, it is probably twice as large.

As a further index of the prevalence of low wages, we are submitting the report of the North Carolina Department of Labor prepared in connection with the consideration of a statutory minimum of 55 cents for that State. As of January 1955, 17 percent of the 565,000 employees in the retail trades, service and other nonmanufacturing industries were earning less than 75 cents per hour. On the basis of our knowledge of earnings in these industries, it is probable that the proportion under \$1 per hour exceeded 40 percent (appendix I).

We are also submitting information on the proportion of persons earning less than \$2,000 per year in 1954 by industry and sex which indicates the industries in which low earnings are clustered (appendix II).

These reports confirm the prevalence of low wages and the importance of effective minimum-wage laws in eradicating this major source of low-income families.

Causes of low wage rates

The fundamental cause of low wage rates and earnings among employees is rooted in our economic organization and not in the individual. The workers are suffering from the inadequacy of their bargaining power and absence of strong union organization to enforce proper wage standards. In their absence, Federal and State legislation are essential to protect workers from more powerful economic interests who deprive them of their proper share of the Nation's productivity.

Workers in organized industries receive high wages than those in the unorganized industries. They obtain these not because the organized industries are essentially more profitable or productive but because collective bargaining has succeeded in lifting wages to more adequate levels.

In view of the above it is important that your committee guard itself against one assumption which may be derived from the current set of hearings; namely,

that low earnings are due to personal deficiencies and the low productivity of easy jobs, filled by the superannuated and requiring little skill. The evidence contradicts this easy conclusion. The testimony before the Senate and House Labor Committees in connection with the revision of the wage and hour law abundantly demonstrated, through personal testimony of workers and extensive research submissions, that low wages are paid to millions of trained, competent workers with schooling and other qualifications equal to those earning higher rates.

Our studies demonstrate that many low-wage industries and occupations are among the Nation's most hazardous (appendix III). Superficial analysis might tempt one to suggest that the more hazardous the industry, the lower the wage rates. But this guess is equally wrong. Wages in many hazardous unionized industries are impressively high because the workers have been able to exact adequate compensation.

An equally important conclusion is that many low-wage industries have enjoyed some of the most remarkable records of increasing productivity. Agriculture is a striking illustration of this fact. Modern science has been harnessed to eliminate labor and manual work. Wholesale displacements have occurred because of mechanization and science. Yet the workers in this industry are not enjoying decent wages. The same is true of the retail and service industries. Self-service and automatic devices profusely cover these industries but wages remain low. Automation finds startling applications in wholesale and retail industries, but there is no concerted effort to raise wages to decent levels. Productivity improvements are not being shared as workers continue to lack the organized strength with which to insure the sharing of these benefits.

Finally, an examination of the educational and vocational requirements for jobs in many low-wage industries confirms the above conclusion that they match those in many of the higher-wage industries (appendix IV).

One is driven to the conclusion that the basic cause of low wages is discrimination. And so it is. Studies conducted by the United States Bureau of Labor Statistics confirm this conclusion. A job will be paid widely differing rates in the same and different areas. In some places these rates may vary by several hundred percent. (See U. S. Bureau of Labor Statistics Monthly Labor Review, October 1955, pp. 1119-1123.) Most of the workers earning less than \$1 per hour are in occupations where the average hourly earnings for these jobs in other parts of the country are at or close to \$1 per hour. It is interesting to note that in an industry such as the retail trade, the union contracts provide for \$1 minimums in many areas and stores.

Discrimination is founded on many factors but primarily lack of organization. The specific factors exploited to enforce the discrimination are color, sex, religion, nationality, and immobility. But whatever the approach, the consequence has invariably been the same, the underpayment of workers for the jobs they have performed.

The discrimination in some cases has been due to the failure to grant wage increases to the workers comparable to those enjoyed by employees in unionized industries. The low-wage industries are invariably those where wages are "sticky." They must be moved by law or national crisis or unionization. Until they are so moved, the gap between themselves and the remainder of American industry continues to grow.

Another factor which tends to keep wages down in competitive industries is the inability of the majority of employers to raise wages because the fringe of ruthless employers is determined upon keeping them low. Competition forced wages down to 10 cents per hour in certain areas during the depression. Without the assistance of law, these low wages are perpetuated. Or if the legal floor is removed, as was true at the time of the demise of the NRA, the unscrupulous employers force reductions upon all employees.

While it is basic to American industrial philosophy that higher productivity should lead to higher wages, the experience in the low-wage industries does not conform to this pattern. No matter what the productivity rise, the wages in these industries remain low.

Legal action necessary to correct substandard wage rates

The answer to these conditions is quite apparent. It is the extension of the coverage of the Federal wage and hour law, the elimination of the exemptions, and the passage of a statutory minima under the State laws which would be equal to the Federal minimum of \$1 per hour.

In April 1954, the Federal minimum wage law covered 22.2 million workers.

Our immediate concern is with the 6.3 million who were exempt from its minimum wage provisions and the 11.5 million who were exempt because of their exclusion from coverage because of the definition of intrastate commerce. To correct these omissions, we have proposed the following:

(a) Extend coverage by the following three revisions: Cover not only employees of employers "engaged in commerce or in the production of goods for commerce" but also employees of these employers who are engaged "in any activity affecting commerce"; include all those "employed in or about or in connection with any (such) enterprise"; and finally, include employees, through a modification of the definition of production, who are "in any process or occupation necessary to production."

(b) Remove the exemptions granted to the processing of goods in retail establishments; newspapers of less than 4,000 circulation; street, suburban, and inter-urban electric railroad or local trolley or motorbus carriers; the processing or handling of agricultural products within the area of production; switchboard operators of exchanges with no more than 750 stations; taxicab operators; telegraph offices in retail establishments; seamen on American vessels; logging and forestry operations with 12 or less employees.

(c) Modify the definitions so that executives, administrative, and professional employees must earn at least \$6,000 to be exempt; limit retail and service exemption to establishments having 4 or less units and \$500,000 or less sales; limit fishery exemption to actual fishing and not to include packing or distributing fish; and limit agricultural exemption to farmer-operated enterprises employing less than 300 man-hours of hired farm labor during any 4-quarter period.

The State minimum wage laws have also to be modified. At present only 9 States and 2 Territories have statutory rates. The remaining 20 States and 2 Territories have wage board laws. It should be recommended first that there should be statutory rate laws passed by every State and Territory. Second, these laws should apply to men and women. Third, the minimum rates should be revised upward to at least \$1 per hour in compliance with the level in the Federal law. At present, 5 States and 1 Territory have a minimum of 75 cents (Idaho, New Mexico, Wyoming, Connecticut, Massachusetts, and Hawaii); 1 of 87.5 cents (Nevada); 1 of 60 cents (New Hampshire). Alaska has a minimum of \$1.25 per hour. The minimum in Arkansas is only 15.6 cents and was adopted in 1915. The rates set by the wage boards tend to be low and are brought up to date at too slow a pace. Their modernization should be urged immediately.

Conclusion

Legislative action through the Federal and State minimum-wage laws would help correct the substandard rates of pay. The National Labor Relations Act should be administered to insure greater protection for workers who seek organization. These two measures would do much to correct a major source of current substandard wages in the United States.

REVIVAL OF DEPRESSED INDUSTRIAL AREAS

Despite the high level of employment and the current promising economic outlook, a number of industries and communities in almost every part of the country are distressed and have been classified as having substantial labor surpluses with no immediate likelihood of their economic revival. The factors conspiring to make this distress are not transitory or seasonal ones. They are long-term trends which have brought about large-scale unemployment. Usually they have been associated with the collapse or migration of a basic industry which was the backbone of the local economy. Many of these communities have been distressed for several years and classified as surplus-labor markets for this entire period. The high level of employment throughout the country has not benefited these communities sufficiently to have eliminated the local distress.

Factors contributing to the distress of nonagricultural areas and industries

The economic decline is rooted in specific conditions which have sharply contracted the activities in the industries upon which these areas have depended. We are all acquainted with the ghost towns in areas or regions where mines or natural resources, such as forests, have been exploited. The exhaustion of these resources or the appearance of uneconomic operations have meant the closing of operations. In some cases, new technical processes later helped in their revival, as is the case of the Minnesota iron-ore mines. The substitution of oil for coal has shrunk the markets for anthracite, so that the mining areas have suffered. Changes in technology have also caused local grief as is illus-

trated by the number of railroad-repair shops which have been abandoned with the extension in the use of the diesel engine. The substitution of synthetic fibers for woolen fabrics has also contributed to the shrinking of the woolen and worsted industry.

Technology is constantly sounding the death knell for older operations. Leather lost out to the various synthetic products. Currently we are witnessing an intensification of industrial migration as manufacturers are decentralizing operations and moving plants to areas with large new markets. Lower wages and local protection against unions have motivated others in their movements. Locational advantages shift when new highways are built or cheaper sources of power become available. Expansion often dictates relocation in areas where space is available. New raw materials make old sites less advantageous.

The new technology which combines automation and systems engineering is also accelerating the transfer of plants. It will increase the advantages of a completely new site as compared with the reconstruction of older plants. As a consequence, many more communities will feel the impact of plant abandonment. We must, therefore, more than ever before, be prepared with techniques and organizations to help these localities.

Effects of area declines

The abandonment of a plant or shrinkage of an industry usually has had disastrous effects upon the employees and the community. It is strikingly suggested by the very measure used to define the distressed community, which is continuing unemployment of 6 or more percent of the work force. Ordinarily, communities with such large-scale unemployment also have much hidden unemployment. Women and older persons who had been unemployed for long periods of time are unlikely to be counted in the labor market. Young people who have not entered the labor market are apt to delay entrance since opportunities are unavailable for them.

Unemployment brings distress to the family. It spells loss of income and increased family burdens. The unemployment insurance will only tide them over short periods. The remainder of the burden will be transferred to the family in the first instance and after the family resources are exhausted, to the community and the State and Federal Governments.

Evidence is abundant that a relatively small proportion of the people tend to move. Most people try to hang on in the community. The younger people are likely to migrate first of all. Long-distance commutation becomes common and only after long stretches of time are families moved. The distress keeps lingering in the community.

The community is also likely to suffer both from the loss of income and the costs of maintenance of the unemployed. Local government burdens will tend to increase and civic improvements are apt to be limited.¹

Current efforts at economic revival

Numerous efforts are being encouraged at the present time to promote economic development. Unlike the schemes launched in the thirties, the present tend to be local and restricted, and are based upon the creation of incentives for location rather than reconstruction of local economies and the development of new basic locational advantages. The contrast stands out sharply when the TVA is compared with the BAWI (Balance Agriculture With Industry) program promoted in Mississippi. The former was conceived as a developmental program designed to utilize the untapped natural resources and harness them. Out of this program has come remarkably cheap power which stimulated farm and natural resource development and a new economic life in the region. In contrast, the BAWI builds on concessions and subsidies to manufacturers. Tax exemptions to private business, local contributions in the form of factory buildings and even equipment are coupled with low wages and employer protection against unionism. The private power interests have never raised their voice against these subsidies and concessions to private industrial interests.

Other schemes being employed are development corporations which actually lend money to smaller businesses unable to borrow intermediate capital from existing banking institutions. But the volume has been small. Private realtors

¹ One significant gap in our social research is a field study of the detailed effects of such prolonged unemployment upon a community. Investigations hitherto have examined the effect on the individual employee as to his subsequent unemployment and migration. They must be supplemented by detailed examination of the family adjustments, community costs and economic effects.

and local groups have built industrial markets. In other places plants have been donated outright or leased on a long-term basis. The accent has been on publicity and attracting individual plants rather than building permanent new locational advantages. The results are sporadic and they have not answered the needs of the chronically distressed areas.

Suggested program

A program of economic revival of distressed urban areas must be based upon long-term planning, not for limited political areas but for entire regions. Too many current plans prove fruitless because they are conceived as competitive ventures among embarrassed political units. Distressed communities should not bid against one another by increasing their subsidies but should build permanent advantages. Careful studies must be made of resources, markets, schools, human talents, transportation facilities, land, power, and water, to obtain the most constructive base for new industry. The development of new public services can often provide the basis for a new growth. The program must be based upon an understanding of the nature of the new growth industries and their relation to the region or communities in distress.

In addition to planning, it is necessary to provide funds for public works, procurement preferences, funds for training and transportation, extended unemployment compensation, and advanced retirement benefits.

Revitalization of shrinking industries

Many communities have been hard hit because their principal industries have been shrinking in size or because advances in productivity have far outdistanced the rise in their market. The consequence has been the creation of excess capacity and the closing of plants. This phenomenon has been witnessed during the last few years on a wholesale scale in the textile industry. Productivity has been rising in the postwar years at a rate of 5 percent per annum. The total production has remained stationary. Employment has shrunk by a quarter of a million people, or 20 percent. More than 600 plants have been closed. The process has not yet been completed. During the last month several more mills have closed and other shutdowns are imminent. The present corporate merger movement is accelerating this process.

In any program for the revitalization of our moribund economic areas, there must be provision for assisting such industries to reexamine themselves and helping them develop programs to reverse these trends. In the textile industry it means, for example, examining past and current markets and areas for new markets. How can the textile manufacturing process be used to create products for uses where they have hitherto not been employed, particularly in industry and the household? The primary contributors to textile advances have been in recent years the fiber producers and growers, the chemical companies and machine builders. Why cannot the manufacturers bestir themselves to promote the facilities of this industry? The ideas and talents of all sections of the textile, manufacturing, distributing and apparel industries must be corralled for this purpose. Research techniques must be applied at the production and consumer levels.

The Federal Government could make its contribution by bringing together the disparate elements of the industry, including trade unions, for them to tackle these problems. The Government can show the way by bringing its facilities to bear. In this way, the economic descent can be stopped and expansion stimulated. The problems presented by shrinking industries can be eliminated by the very process of revitalizing them.

We have also urged the elimination of those tax provisions which now encourage plant liquidations and migration. Similarly, tax exemptions from Federal income tax for local Government bonds used to subsidize industry should be eliminated.

JOB REDESIGN

Even in a period of high employment, the personal problems of millions of persons eager to work are not automatically solved. They have to be helped by special devices. Many have to be aided by securing the elimination of discriminatory hiring practices or by rehabilitation. A third, less developed technique is to redesign jobs to suit the capacities of people with limitations. The continued unemployment of these people is intolerable when we are straining our human resources and when our security demands full utilization of our working population.

The principle of selective placement has been widely urged as a followup upon rehabilitation techniques but it is not sufficient in view of the presence of persons with limitations and the aging of our population. Employment opportunities could be increased if jobs were designed to suit the population. This goal is not an impossible one since it is commonly understood that job requirements are not fixed. They have already been changing. Industry employs engineers for the purpose of altering them constantly to increase productivity and efficiency. What is needed is the addition of a new consideration to the criteria of productivity; namely the requirements of the human. Already we are developing a science of human engineering out of the experience and knowledge we gained in designing the airplane and other military weapons. The crying need is to couple the knowledge and insights of the human engineer with those of the industrial engineer.

Some progress has already been made in this direction. Experience has been most advanced in some European countries, particularly in the Scandinavian nations, where compulsory employment of disabled has been effective since the end of World War I. We have made advances in job design for the blind and several other types of physically handicapped. The most elementary advances have been made for the victims of heart diseases. Recently a most challenging book was published listing an impressive number of devices to help persons with limb disabilities overcome them and perform adequately. Individual plants have completed job redesign to fit work to the individual's capacities as in the case of Abilities, Inc. These ventures have proved competitive and profitable.

This approach has become even more urgent as our population has been aging. It has become even more important that jobs designed for younger persons be refitted to allow for the employment of older persons. The result will be higher rather than lower productivity. They will utilize experience rather than fast reaction times. Work in this direction has been started and must be more extensively promoted.

There is a need to correlate the employer's concern for optimum output and his responsibility for hiring a reasonable cross section of the community's work force. The study of the working population will disclose its particular qualities and the jobs that must be engineered to provide gainful employment to all who seek work. Our experience with changing job requirements has qualified us to make jobs fit people. The result will be a productive working population manning jobs particularly suited to the individual abilities of its members and the realization of full employment for those desiring work.

Senator SPARKMAN. Thank you, Mr. Barkin.

As I said a few minutes ago, the entire statement will be placed in the record.

Mrs. Burns.

STATEMENT OF MRS. EVELINE M. BURNS, PROFESSOR OF SOCIAL WORK, NEW YORK SCHOOL OF SOCIAL WORK

Mrs. BURNS. Senator Sparkman, at the risk of appearing repetitious, I, too, would like to congratulate the subcommittee on holding these hearings.

Senator SPARKMAN. We don't mind your being repetitious.

Mrs. BURNS. I think the thing that is particularly valuable in this series of hearings is the emphasis upon prevention and the desire to avoid the existence of low incomes rather than merely to do something about the people whose incomes happen to be low.

I have been asked to summarize the papers and material relating to the current social insurance and Government welfare programs to increase security and the analysis of unmet needs.

In studying these papers and reports, I have tried to select some points for emphasis which might perhaps otherwise be submerged by the very richness of the material or the variety of topics covered, and

I have used as my criteria either those matters on which there was substantial agreement among the witnesses or those which, on the basis of my own studies, would seem to me to be of great importance. I have also tried to follow the main groups of questions suggested by the committee itself.

First, the contribution of the social insurances. It is evident that to an increasing degree these programs must be regarded as a major weapon in the fight to eliminate the low-income receiver. The high proportion of the aged, the disabled, the broken families, and—to a lesser extent at the moment—the unemployed, among the low-income receivers suggests that a substantial part of the problem is due to inability to work so that some alternative income must be assured. This the social insurances are beginning to do. Yet the continued presence of such groups among the low-income receivers also suggests that the social insurances have not yet fully succeeded. This is due to two main factors.

These points are emphasized by many of the witnesses before you, including Mr. Johnson, Mr. Lester, Mr. Cruikshank of the A. F. of L., and others.

First, the existing programs are inadequate in various respects. The benefits are still relatively low for both OASI and for unemployment insurance, and in many States for workmen's compensation. No systematic effort is made to insure that money benefits keep pace with rising prices, so that their purchasing power is constantly eroded by inflation. Duration of unemployment insurance is often too short and no special provision other than general relief exists for those who exhaust benefit rights, while the money limits in workmen's compensation often restrict the benefits for the long period industrially disabled to a short span of years. Nor is the coverage of any of these measures universal.

Second, important risks are still not provided against by social insurance despite the evidence from many other countries that this can be done with great advantage. The outstanding gap in social-insurance coverage is that due to ill health, however caused. Only four States provide such protection against short-period disability for some of their workers and no permanent disability insurance exists for general disability for any workers except railroad workers who also enjoy the benefits of temporary disability insurance. The prevalence of the disabled among the low-income receivers points to the urgent desirability of including this risk among our social insurances at the earliest possible moment.

Furthermore, the security of families, especially as age advances, is increasingly threatened by the heavy and unpredictable costs of medical care and hospitalization. Since most social-insurance benefits are relatively low in the best of circumstances, it is desirable that it be made possible for families to supplement these from their own resources. Yet for many families this becomes impossible when savings are drained by medical costs. A health insurance or public medical care program, such as suggested by Mr. Cruikshank and some of the other witnesses, would eliminate this threat to savings and also serve as a psychological stimulant to private savings by making savings worth while.

THE PUBLIC ASSISTANCE PROGRAMS

These still play a very important role both by providing income to some 5 million families and individuals who are either not covered by the social insurances or whose insurance benefits are inadequate for their needs. But they have many defects. The monthly payments are low and reflect in large measure the relative wealth of the States, and in many of the Southern States they are pitifully low. This should be remembered in connection with the finding of the fact book that a substantial fraction of the low-income receivers live in the Southern States. Because of this inverse relation between poverty and the resources to deal with it, renewed attention should be given to the existing arrangements for Federal grants-in-aid for public assistance. Not until some formula is adopted which takes into account more directly than the present one the unequal wealth of the States can we even hope to overcome the relative disadvantage of the public-assistance recipient living in the poorer States—or, for that matter in the poorer localities in some of the richer States. Furthermore, the absence of Federal aid for general relief has led to a relative neglect of the income needs of many of the almost 300,000 cases who depend for income on that program.

THE USE OF PREVENTIVE AND CONSTRUCTIVE MEASURES

The programs hitherto discussed have been mainly concerned with assuring income but this subcommittee has raised another, and for the longer run even more important question, namely, how far can these or other welfare measures be used to prevent the occurrence of income loss or low-earning capacity. Here a perusal of the papers of the witnesses and the documentary material prepared for the committee leads to a much more dismal conclusion. Although we have made real progress in assuring income once it is lost we have shockingly failed in the area of prevention.

REHABILITATION AND HEALTH

Although the benefits of rehabilitation programs have long been established, this country still rehabilitates only a tiny fraction not only of all those known to be disabled but even of those becoming disabled each year. No part of the testimony presented to the subcommittee is more shocking because it is a record of missed opportunity, than the report from the OVR which reveals what it would be possible to do and what we have in fact accomplished. The benefits of an expanded and more vigorous vocational rehabilitation program would be especially felt in the caseload of ADC where disability of the breadwinner is an important cause of dependency, and for the general relief caseload which, in the absence of special disability insurance becomes the residuary legatee for the care of the disabled. The rigorous eligibility conditions for APTD which restrict the program to those totally and permanently disabled renders it unlikely, however, that this caseload would be reduced by such constructive measures. Even so, we have about a quarter of a million in that category.

It seems reasonable to hope that enactment of a so-called permanent disability program as an addition to OASI would reveal the true extent of disability and provide an opportunity for putting many of these individuals in touch with rehabilitation programs, for progress in this science has been tremendous, and it is today doubtful whether we should even use the term "permanently" disabled.

But we should not wait until people are already on the way to being permanently disabled. A comprehensive health insurance or public medical care program would arrest many of these disabilities before they become chronic and make much rehabilitation unnecessary. So long as there is a financial barrier to seeking medical care when it is needed and so long as incomes are low and our advertising institutions tempt people to spend incomes on more immediate gratifications, it is idle to expect that people will avail themselves of medical care at the early stages of illness or for prevention. And many millions have incomes too small to pay for needed care in any case. Nor should we be complacent about the extent to which good medical care, available at the early stages, is in fact provided for the needy or the medically needy under our public assistance programs. Any easy assumptions on this score will be dispelled by reading the papers presented by Miss Bierman, the representative of the APWA, and by Commissioner Winston.

FAMILY BREAKDOWN

The fact that over 50 percent of the more than 2 million recipients of aid to dependent children are members of broken homes has revealed the hitherto unsuspectedly large extent of family breakdown as a cause of poverty. Yet here is an area where preventive action taken in time might have enabled many of these families to resolve their problems and to continue together. All the evidence suggests the limited effectiveness of legal measures taken after the family has disintegrated. What is needed is more counseling, casework, and other services such as marriage guidance which would be available to all families, for while we are here concerned primarily with those broken families who are members of the low-income group, it must not be forgotten that the problem of family disintegration affects all income groups, and is a social problem of major proportions.

Yet despite hopeful beginnings in many communities and States, it must be admitted that in general our family counseling services are woefully inadequate. Our private agencies do not even begin to meet the problem, and there is even some doubt as to whether they concentrate their activities on the public welfare clients or the poorer sections of the community. And our public welfare programs are so inadequately staffed that they can in many cases offer only limited service or deal with only a tiny fraction of the caseload needing constructive service. Here is another example of wasted opportunity, of failure to make use of already existing knowledge of the art and science of prevention.

WORK OPPORTUNITY

Not all of the low-income receivers are incapable of work for physical reasons or because of the need to care for young children. The Nation sacrifices a substantial addition to its output and far too many of its members are denied the satisfactions of participating in the normal

patterns of living of the rest of the community because too few efforts are made to help them to secure and keep employment.

I was glad to see Mr. Barkin today emphasize this point.

The aged and the partially disabled present special placement problems, and hitherto the funds available for the development of such special services by the public employment offices of the country has been limited by available funds. The problem is twofold. First, potential employers must be reeducated to change their attitudes toward the employment of such persons; second, the individuals themselves must often be retrained or helped to make the necessary adjustments to accepting jobs different from those to which they were accustomed in youth or in full health. This kind of counseling is especially needed for some of the general relief caseload, though in view of what was said above about the relatively large proportion of the disabled on general relief the number who might be helped to self-support by casework and counseling services must not be exaggerated. Nevertheless, until we have made more strenuous and scientific efforts to deal constructively with the man who consistently fails to hold down a job or to take proper efforts to support himself and his family, we have no right to complain of the relatively small number of such persons whose families are maintained at public expense. Nor, until efforts are made to change the attitude of employers and to offer training and counseling services to the women themselves, can we truly come to grips with the increasingly serious problem of the older woman, especially the older widow.

In my judgment, constructive policy for this group consists not in lowering the pensionable age for such persons, but in treating it as an unemployment problem and grappling with it as such.

THE PENALIZING OF CHILDREN

I particularly want to emphasize another point which stands out through all these hearings, the penalizing of children.

Because of the fact that social and personal attitudes are so largely formed during childhood, one might have expected that a nation interested in constructive measures would have taken special pains to insure that, whoever else was inadequately provided for, children would be assured an environment free from the depressive and initiative inhibiting pressures of grinding poverty. Yet a perusal of the material presented to the committee reveals that exactly the opposite is the case. Of all persons affected by our income security and welfare programs, children are the least favored.

The ADC program, for instance, which provides for the income needs of some 1.7 million children, makes payments per child that are substantially less than the Nation provides for its aged and its blind or disabled. The Federal grants set a lower maximum for children, pays for only one adult in the family, and the majority of the States follow suit. Similarly, the presence of legal maximums to total benefits under OASI means that the lowest monthly payments per capita are received by the families with two or more children, and half of the widow beneficiaries fall in this category. In both cases national policy would seem to be directed to insuring that whereas all social-security payments are modest in amount, those for children shall be immodestly and plainly inadequate. Nor must it be forgotten that

a disproportionately large number of the children who are members of large families are found in the southern and agricultural States where once again incomes are lowest and social-security payments and constructive welfare services are most meager. Here, again, we find the exact reversal of what would be expected from a nation that believed in constructive policies and realized that its most valuable possession was its children—its future citizens and producers.

In yet another way our social and economic arrangements seem devised to insure that the majority of our children shall be brought up under relatively disadvantageous conditions, and, if their parent's incomes are below average, shall even suffer deprivations. For statistically speaking the majority of children are members of relatively large families. Yet simple arithmetic shows that if an income of any given size is shared by 5 or 6 people, instead of 1 or 2, the average income per capita will be greatly reduced. Concern about the well-being of the citizens of the future and the desire to give every child equal access to at least an acceptable minimum standard of living and some measure of equality of opportunity have already led all the important nations of the world, excepting only the United States, to develop systems of children's allowances. In such plans all parents, regardless of their incomes, receive stated monthly or weekly payments whose amount depends solely on the number of children in the family. At least one of the witnesses, Professor Lester, has suggested that some such system be considered for this country, and I would like to echo his request. Even if, for various reasons, such a system should not be deemed appropriate at this time, other measures for increasing the standard of living of children are available and should be vigorously explored. For the effect of all our economic and social arrangements today is to cause children to bear the major brunt of the consequences of low incomes and this simply does not make sense in a Nation that claims to be progressive and concerned about the citizens and producers of the future.

INADEQUATE RESEARCH AND TRAINING

Perusal of the documents submitted to this subcommittee emphasizes one general and disturbing fact: The need for more knowledge about the low-income population, who they are, where they are, why they are in this situation, how they live, what is the effectiveness or ineffectiveness of actual and potential palliative and constructive measures and the like. A well-directed attack upon these weak spots in our otherwise progressive and economically advancing society must be based on extensive knowledge of the nature of the problem and the results of current programs, and this we are far from possessing. In recent years public appropriations for research have been drastically cut and the gap has not been filled by grants from the large private foundations. All experts in the field of social security and public-welfare programs are frustrated by the paucity of data and there is little hope of developing sound policies until this gap is filled. I believe that the subcommittee would be striking a great blow for a constructive solution of the problem with which these hearings are concerned if they would emphasize this point.

Furthermore, since our need is primarily for the expansion of preventive and constructive attacks upon these problems, it must be em-

phasized that these will call for a great expansion of our now all too painfully limited supply of experts and trained staffs. The job to be done can only be done by well-trained personnel and we cannot begin to train them too soon.

Senator SPARKMAN. Thank you, Mrs. Burns.

Mr. Johnson.

**STATEMENT OF D. GALE JOHNSON, PROFESSOR OF ECONOMICS,
UNIVERSITY OF CHICAGO**

Mr. JOHNSON. The general topic which I am to sum up is that of the depressed rural farm areas.

The subcommittee has had a considerable number of excellent and consistent diagnoses of the problem involved in these areas, and there has also been a large degree of unanimity concerning the necessary adjustments. I think especially the papers which were prepared by Messrs. Black, Nichols, Trigg, Hays, and Long are worthy of mention, though I do not wish to cast dispersions on the others dealing with their area by not particularly calling attention to them, but, to repeat, the subcommittee has a considerable number of excellent papers here, and perhaps more important than that a high degree of agreement amongst the people who discussed this problem as to the reasons for the origin of the problem and the matters that perhaps could be done to solve them.

These papers can be summarized as follows: That as far as the present population is concerned in the low-income farm areas, three kinds of adjustments are required.

First of all, it is necessary to reduce the number of people dependent upon agriculture for their sole or main source of earnings.

Secondly, for those people who wish to remain and earn their living in farming, the scale of farm operations must be increased, and, thirdly, efforts must be undertaken to improve the managerial capacities of the remaining farmers, so that they can cope with the more difficult, or different problems that would confront them as the scale of their operations increased, and in many cases the type of farming was changed.

These adjustments, as I say, are primarily for the present population living in these areas. The papers also refer to changes or adjustments that would be required to see to it that the problem did not re-occur, if it were solved in the short run.

The various people who have presented their ideas to the subcommittee mentioned at least three other activities or changes that they considered to be desirable for this longer-run problem. Almost all of the speakers emphasized the necessity for improvements in the quantity and quality of education in these rural areas at all levels, elementary, secondary, and with increasing emphasis upon vocational training so that the individuals could be better equipped for the kinds of jobs which they are likely to take.

There was some emphasis given to the fact that most of the vocational education now in rural areas was in agriculture, though upward of two-thirds of the young people who take such training will not find their jobs in agriculture but will seek employment elsewhere.

It was also noted by several that a prime requisite, both in the short run and in the longer run for solutions to problems in these areas, was the maintenance of full employment. On this I think there is no disagreement.

Thirdly, in this set of comments on the longer run is that continuous attention should be given to maintaining conditions of high mobility of the population. In all of the areas that are involved here there is a substantial net natural growth of the population. Even if farm employment could remain stable in such communities over the long run—and this, I think, is a dubious assumption, because the trend is the other way—it would be necessary for a considerable number of people to leave such communities because the number of new people entering the farm-labor force from the farm population has exceeded and will continue to exceed the number of new job opportunities open in agriculture.

In my further comments, I would like to emphasize essentially the problems involved in the adjustments for the present population, to emphasize the steps required to increase the level of earnings of the people who now reside in the areas. Thus we may turn now to ask briefly what it is that is necessary for the adjustments mentioned to occur without regard at the present for the particular mechanisms that would be required. Let us ask what it is that must occur if you are going to reduce the number of people who are dependent upon agriculture? It means, as far as any local community is concerned, one of two things: Either you must have migration out of the community to other parts of the country, primarily to the urban centers, or you must have industrialization in these communities so that new job opportunities are created, thus allowing the people to continue to reside in the same community but not necessarily, or even primarily, dependent on agriculture.

In terms of enlarging the size of the farm operation, obviously the reduction in the people who are dependent upon agriculture is a first prerequisite. In most areas, though this is not necessarily true of all, you cannot enlarge the farms until there are fewer farms, until there are fewer people who are dependent upon farms, because it is through the withdrawal of people from farming that those who remain can obtain the larger amount of land which is called for in the circumstances which they face.

But it is not only necessary to reduce the farm population for this, but other positive aids, according to the people who discussed this matter, are required. In their opinion, additional capital resources would be required.

These are necessary for several reasons. First is the matter of land purchase, so that the remaining farmers can expand by purchasing land in the community. This is not only important to the people that remain, but it is also important to those who might, in connection with any such program, decide to leave, so that they would not suffer large capital losses in the process of moving away.

Land purchase alone, however, is not sufficient, and capital would also be required for obtaining additional machinery and for creating buildings or buying livestock, for land improvements. Much of the land in these areas does require considerable investment in it; emphasizing the "in the land," through such things as clearing part of

the land, drainage, establishing pastures, and taking other steps that would increase the output per acre of this land to make it more productive.

The third type of the adjustments that was mentioned, namely, that of improving managerial capacities, I think should not be lost sight of. The expansion of the scale of farm operations frequently means not only that the farmers involved have to undertake a larger business than that which they have been accustomed to, but it may be a rather different type of farm business than that which they have been accustomed to. In many parts of the South the farm expansion would almost certainly necessitate greater emphasis upon livestock production for people who have customarily achieved their living from certain crops, particularly cotton and tobacco, and who have not had thus much experience in livestock farming.

Perhaps three main measures were suggested as means of trying to improve managerial capacities. The first of these was greater emphasis upon certain current activities that are being carried out in some areas by the extension services of the State colleges, such as farm and home planning, where detailed assistance is given to individual farmers in providing them with the information, the know-how, for making appropriate decisions. We have also considerable experience in the past with associating supervision and managerial training with the provision of credit. The Farm Security Administration, and now the Farmers' Home Administration, have a considerable amount of experience in this, and I believe that the evidence supports the view that they were able to contribute substantially in many cases to managerial capacity.

Finally, of course, along this line, as mentioned, is general improvement in the education of the young people in the communities so that they will have the capacity to understand more fully the situation around them.

On these points, as to the general character of the adjustments and the types of things that would be required to facilitate these adjustments, it seems to me there is a great deal of agreement, not only amongst the people who presented material to you but amongst others who have studied the problem. However, this agreement does not necessarily go to the exact way in which these measures should be carried out, and so in the remaining few minutes I would like to emphasize some of the problems that seem to me to be involved here.

The crux of the difficulty, it seems to me, lies in reducing the number of people dependent upon agriculture, and there are several reasons why it seems to me that this is the crux of the problem.

First, most of the areas that are involved that we have called low income or distressed rural areas, have had high rates of out-migration in recent years, and I think the "high" should be emphasized. The rate of out-migration in such areas has averaged 35 or 40 percent in the decade of the forties, and in some areas undoubtedly exceeded 50 percent. This is a high rate of migration. Yet the decline in the farm population that has followed these high rates of out-migration has not been enough. It has not been that these communities have been static and that people have just stayed, but many of the young people have moved.

Second, most such areas have not been able to attract industries in the past, at least not in adequate volume, and I think we must ask the

question, What reason is there to believe that their ability to attract industries will increase through time? The nature of the natural resources and other factors in the areas have not, up to the present, permitted these areas to attract industry to any higher rate than industry has grown in the rest of the country, so that this definitely creates a difficulty in reducing the number of people dependent upon farming.

Third, there has been a substantially higher gross migration from farms than net, implying that many persons have not been able to adjust adequately to nonfarm living conditions. How large the actual movement of people back to the farms who have really tried urban life, or nonfarm life, and have decided that this was a failure from their standpoint, we, of course, do not know, but the available data do indicate that this number may be fairly substantial, so that there is a problem here, it seems to me, that has to be handled, of making it possible for those people who do decide to move from farms to cities, to have a rather higher probability of success in their new venture than may have been true in the past.

Fourth, most local communities look upon large-scale out-migration as a threat to the community's continued existence. Fewer people, it is argued or believed, mean smaller sales of food, dry goods, and autos, and would mean more expensive labor in the local community. I think it does little or no good to argue that such views may more often be wrong than right. It seems to me these views are strongly held, and that a distinct problem arises in at least seeing first of all the extent to which the views have validity, and, secondly, if they do not have validity how can the people be convinced that this is an error.

Fifth, the problems noted above are reenforced, particularly in many of the more isolated low-income farm areas, by a distrust of outsiders and a dislike for what appears to be meddling in local matters. I think a lot of this does grow out of isolation, and many of the low-income farm areas have in a large sense been isolated from the general drift of American affairs through lack of contact, and for other reasons, for a long time, and somehow or another their confidence and trust in outsiders must certainly be increased.

Sixth, in many communities and areas there exists a belief that somehow or another all the present farm people could make a living if they farm better, or found the right product, or controlled disease or erosion. Somehow or another there is a underlying feeling that there is sort of a heaven around the corner in agriculture if you can just find it, and, finally, in other communities, there is the hope that if an industry would be found to locate there, and all the present people, farm or nonfarm, could find satisfactory employment and satisfactory income.

As far as looking at these problems, particularly the last 4, as they relate to action that can be taken, it seems to me we have 2 alternatives: First of all, one alternative is to in a large sense more or less disregard the feelings and views and attitudes of the local population and essentially move in with programs sponsored by Federal and State Governments, to take efforts to deal with these problems. The nature of such a Federal or State program, it seems to me, has been discussed at some length and should certainly involve the following aspects:

It should involve a considerable extension in employment services, in bringing offices of the State employment services into the local communities, offices that were equipped to consider the problems of farm people who wished to move to nonfarm jobs.

It would perhaps also involve some aid to movement, through financial grants or actual loans to the individuals involved, and it would involve bringing them information of the alternatives which were available to them.

The efforts that we have had in the past to aid farm enlargement need to be expanded and increased a great deal, and the programs designed to improve managerial skills with which we have some experience would also need to be substantially expanded.

This, I think, is one alternative. The second alternative—and this is essentially a suggestion rather than necessarily a conviction on my part that it is a superior one—would be to have one Government agency, perhaps the State colleges, offer certain services to every community in designated low-income areas.

The first objective of such a measure or such a general situation should be to interest the low-income areas in undertaking a study of their problems, and the second objective should be to provide the necessary services for the study. It would be hoped that in this way the local community can achieve an understanding both of their problems and of what is required before incomes can be increased.

The studies might include, or perhaps should include, a survey of local resources—land, minerals, water, capital, and, above all, human resources, and from these studies some evidence would flow to indicate whether the community has a significant chance of attracting new industry, and of what type and size of farm was necessary for an acceptable level of income and how many farm people can be employed in such farms, compared to the present number, and what kind of nonfarm jobs can people such as those residing in the area obtain elsewhere in the economy, and it might also provide evidence on how the people who have actually left this community have fared when they have moved to other communities.

Then, after these studies, these and other studies, have been completed and discussed, it would seem to me that any new governmental agencies be requested to come into the community, the view being here that if such agencies, who would need to move in (who are not already there) were in a sense requested to do so through cooperation of this one State agency, the local reception might be measurably better, but perhaps the greatest contribution of a program of this kind would lie in creating an awareness of the problem, and some of the possible courses of action that would be required in local communities.

It may well be that this emphasis upon the local community would fail, yet I have the feeling that, at least, some trial should be given to interesting these local communities in their problems, and then providing them with some means of solving their problems.

That is all.

Senator SPARKMAN. Thank you, Mr. Johnson.
Now, Mr. Lubin.

**STATEMENT OF ISADOR LUBIN, INDUSTRIAL COMMISSIONER,
STATE OF NEW YORK**

Mr. LUBIN. Senator Sparkman, I also want to add my word of congratulations to this subcommittee for having the courage to delve once more into this problem which has been generally overlooked, even after the excellent results that you produced some 5 years ago after prolonged hearings.

As you know, I happen to have a personal interest in this problem of poverty and the underprivileged. As the chairman of the executive committee of the Franklin D. Roosevelt Foundation, I have been directly concerned with a study of poverty in the United States. We have attempted, on the basis of such data as have been available to us, to find out what the extent of poverty is in this country, what causes poverty among given groups in the community, that is, the reasons for poverty in terms of broken families, in terms of health and age of the family head; in terms of the training that has been available to these people, and, consequently, their ability to be sufficiently productive to earn enough to give them a decent standard of living.

We have also attempted in our study to find out how these people live, what kind of housing is available to them within their means, what kind of food they are in position to purchase. Finally, we have attempted to measure the effects of the existence of their low incomes on the economy as a whole, namely, what would happen to the economy if we found some way to make these folks sufficiently productive so they could earn enough to provide for themselves a standard of living that we like to think of as the American standard of living.

The final results of that study, I hope, will be available relatively shortly and will be made available to your subcommittee at a later date.

Today I should like to talk about a matter that has been discussed by various of the witnesses who have appeared before this committee, namely, the problem of unemployment and low incomes in economically distressed areas. I would like in the course of my discussion to summarize some of the facts that we have unearthed in the State of New York, during recent months, after we were asked to take part in these discussions before your subcommittee.

It has been pointed out by several of your witnesses—and I notice reiterated again today as an important problem by Mr. Clague—that we do have chronically depressed areas in this country. We have them in the State of New York, in both the northern and southern parts of the State. One of the most significant facts that one derives after a perusal of the papers that have been submitted on this problem is that industry in this country is highly mobile. We had long assumed it was only labor that was mobile. During the last 30 years, it has become quite evident that industry can move almost as easily as labor can move.

Twenty-five or thirty or forty years ago, if anybody suggested that the textile mills in any of the old, stable New England communities wouldn't be there today, that they would move some place else, they would have been laughed at. We know now that industries just pick up and move to other parts of the country.

We have always assumed also that it is easy for labor to move. There is no doubt that there is a tremendous amount of mobility in the

American labor force, but we do know that there are social and economic institutions that affect the decisions of workers. There is the question of owning your own home, and over this past generation, we have developed a tradition of homeownership in this country, and thereby made it more difficult for people to leave their communities when work is no longer available to them.

In one community in northern New York, a very large employer, who was responsible for approximately a third of the employment in the community, announced last January that the company was moving out of the community. As a result we have already noticed a perceptible drop in real estate values. The workers in the plants had bought their homes on the theory that they were always going to live there and have work to do there.

There are the problems of one's connection with the community, one's church connection, one's relationship to other families. In many of the communities that we find depressed today, the labor force represents 2 and 3 and 4 generations of residence. In many instances all of their relatives are more or less connected with the same community.

There is also the problem of schooling for one's children. Knowing that you are in a community that is stable and has a good school system, one doesn't want to move to another area where you aren't sure of equally good educational facilities. Finally, and most important, however, our survey of three communities in the State of New York reveals the fact that age is the most significant factor in limiting the mobility of people.

Professor Adams of Cornell, has already mentioned the experience in the city of Auburn, N. Y., when the International Harvester Co. shut down their plant. He pointed out that the man and woman over 50 years of age found it almost impossible to find employment. A study made in Utica, at the height of industrial activity during the Korean episode in 1952, showed that out of 3,100 textile workers who had been laid off because certain plants had shut down and who had exhausted their benefits in that year—in other words, had gotten 26 weeks of unemployment insurance—out of 3,100 textile workers who had exhausted their benefits, only 275 men were under 55 years of age, and that 1,100, or 36 percent of those who used up their benefits, were men and women over 55.

I should like, Senator, to summarize a few of the facts that we have found in these surveys, and then make available further detailed information should the committee want it.

We have found that plant shutdowns bring about a premature retirement of the old worker. We found that, typically, a substantial portion of these folks are persons who normally would not have retired until 5 or 6 or 7 years later, and they were forced into early retirement as a result of plants going out of business or moving. We found also that of the folks who are compelled to retire earlier than they otherwise might, most will not leave the community to take a job elsewhere, even if a job is available. That is a fact of life that we have to contend with.

In other words, even though there is no prospect of jobs in their own communities, available jobs elsewhere are not attractive to them. Consequently, they leave the labor market before they would normally retire, and considerably before their useful working life is ended.

I am not going to deal with how to cope with problems of that sort, with such facts of life. I am not going to take the time of the committee because others have already talked about severance-pay plans, pension plans, and things of that sort. But I do want to point out one thing. If we are going to cope with this problem of migration of industry, movement of firms from one part of the country to the other, one of the things that can help to make labor more mobile is a system of vested rights and pensions.

A man 40 or 45 years of age, knowing he is in a contracting industry, hesitates to go to another industry which is growing or to another area that is growing, because he knows he is going to lose his pension rights when he gives up his existing job. He cannot take his earned pension rights with him. He loses all the advantages he accrued over the years. That makes him tend to be less mobile than he otherwise would be.

We also find from our studies that the retirement of displaced older workers is usually preceded by a period of underemployment. In other words, they take temporary work, mostly work that is below the levels of skill for which they have been trained and often on an intermittent basis and usually at much reduced earnings.

We find also that programs instituted through our State employment service to ascertain the occupational aptitudes of these people, and attempts to retrain displaced workers, while they may speed up the normal operation of the labor market, are likely to have limited value where there is a high concentration of women and older persons.

I mentioned our findings in Utica, which is typical of what we have found in other communities. In Utica we undertook a very elaborate program of retraining. We found that because of the preference for male workers, many displaced women were passed over by employers in filling available jobs, even though the aptitude tests showed that these women had adequate skills for these jobs.

We also found—and Mr. Adams pointed this out—that the pressure of job scarcity in a given community widens the area of job searching. He pointed out that in the case of Auburn, people who had formerly been employed there went 30 or 40 or 50 miles away to get work. We found that the people in Hudson, a community which was hard hit by the shutdown of a textile mill, are now commuting distances of anywhere from 20 to 50 miles. This seems to be a growing result of plant shutdowns. In other words, people don't move out. It isn't outmigration.

Once they are forced to look for jobs at greater distances because of their refusal or inability to move, the historical boundaries of labor market areas lose some of their formal significance. That is to say, labor markets now are no longer restricted to the immediate area in which people live. They are growing wider and wider, with consequent forced commuting of 2 and 3 hours each day.

Another significant thing that is revealed by our study of the depressed areas in the State of New York is that after unemployment compensation has been exhausted, most displaced workers look to their own resources for means of support. In other words, relatively few go to the social agencies, whether they be private or public, in their community. The employed husband or wife or relatives

become the chief means of support. Dependence on retirement income and savings follows.

All of this means that the primary impact of such unemployment is being carried by the worker himself in the form of a reduced standard of living.

We were particularly interested in knowing what happens to a community that becomes distressed as a result of plants moving out. We found that economic distress does not bring immediate impairment of community services. Yet in those towns that have been in distress for prolonged periods of time, the community's ability or willingness to maintain expenditures on services that are on a level equal to those available in other communities of the same size becomes restricted. We found, for example, that in certain areas there has been a deterioration of the sanitary services; that the amount available or expended per student in schools is less than other communities in the same area of the same size.

There seems to be a relationship between chronic economic distress in a community and the condition of its housing. We found the number of houses that were "dilapidated" or didn't have modern sanitary conveniences, in communities where distress has been more or less chronic, was proportionately higher than in other communities.

What can one do about this problem? Various papers were presented to this committee, one of them by Professor Strong, in which are given a whole list of possibilities. Personally, I think there are two things that should be emphasized. One I have already mentioned, the present system of collectively arrived at pensions which do not give the worker a vested right in his pension. As I have pointed out, the loss of pension rights on moving to a new job makes the worker take an economic loss if he moves into a new area or a new industry and tends to make him less mobile.

Secondly, there is another facet to this problem that comes directly within the competence of the Federal Government. That is our system of providing for losses under our tax laws. A profitable corporation can go into a community and buy a company that has shown a loss over a period. After running the plant for a certain period of time it can shut it down. This ability to buy tax losses means that such purchased losses can be set off against the purchasing corporation's profits. In other words, we are making it profitable for corporations to buy plants that are losing money and shut them down, because by doing so, the corporation that does the buying can offset the accumulated losses of the purchased corporation against its own profits with a consequent saving in Federal taxes.

Thank you, Mr. Chairman.

Senator SPARKMAN. Thank you, Mr. Lubin.

Now Miss Reid.

STATEMENT OF MARGARET G. REID, PROFESSOR OF ECONOMICS, UNIVERSITY OF CHICAGO

MISS REID. Senator Sparkman, I have the disadvantage of coming at the end. That disadvantage arises out of the fact that a great many of the things that I would like to say on this subject have already been said.

I want to say that I am in sympathy with the objectives of this committee and with many of the solutions that have been proposed to the problem of poverty. My problem, it seems to me, is to consider whether there is anything that I can add to what has already been said.

I would like to emphasize the fact that poverty is a many-sided problem, and we need many attacks on it. One thing that I feel has not been emphasized enough, is the fact that we have to solve our problem of poverty in the context of the total economy. It isn't just a matter of solving, or dealing with poverty in and by itself. Hence any attack on the poverty problem has to be seen with reference to the operation of the economy in its totality. My statement is primarily concerned with this.

We are all very much aware that these have been years of rising real income, that a great increase in productivity has occurred. It is a little perplexing to some people, especially people in other countries who from many sources hear a great deal about the very high consumption levels of the United States, its great productivity, that there should be a great continuing concern about poverty in the United States. The question arises as to why we have this continuing poverty with increasing productivity.

Several things are responsible for it: One is the fact that in these years of rising productivity, all of the people have not shared equally in the rising productivity. Some of this failure to share equally is exemplified by the problem of industry shifts. With such shifts you have examples of people who have lost job opportunities that existed before. New job opportunities do arise, but there are often gaps in the reappearance of job opportunities that in any way approximate what existed before.

This is a problem of a dynamic economy, the problem of an economy that is having increased productivity. In other words, the very dynamics that result in our increased productivity create problems. We should not lose sight of this fact. Hence we must see this as part, as it were, of our growing pains. We might have a static society and one where we got rid of poverty. Could we thus abolish poverty? What would be the cost? Increased productivity is one of the things that creates some of the problems of concern to this subcommittee.

There are other reasons for the large amount of poverty reported. Some people are poor because they were poor earlier. Although they have shared somewhat in the increase, they haven't shared enough to put them above the poverty line. I feel that our understanding of poverty and conditions affecting it is measured by seeing what has been happening through time to these people that we feel have been disadvantaged and are now in what we call the poverty groups.

I have had occasion in the past few years to examine the 1950 census data from some earlier benchmarks, and all the evidence that I could extract from them indicates that those people that we looked upon as poor in the thirties and in the forties, improved their relative position in the economic society over the period of the 15 years or the decade. Confining attention to these years is necessary because it is only since the middle thirties that we have had a substantial volume of information on incomes in general. Thus if you look at the situation historically, you must agree that we have been making some progress.

In looking for evidence of progress I compared income trends in the North and the South. In 1940 the average income of the North was above that of the South. By 1950 this order had not changed. However, the percentage difference had narrowed. We talk about the poverty problems being concentrated in the South. It seems worth noting that New England has problems at the present time that arise from the relocation of industry—from the shift that is benefiting some people in other areas. It may be making incomes somewhat more equal in the North and in the South. In other words, we are sharing the higher productivity more equally through some of these shifts. If you make comparisons among the low-paid occupational groups and the high-paid occupational groups, if you make comparisons between the whites and the Negroes, the evidence points to a narrowing of income differences between the thirties and the forties to the period of 1950. The forces that brought these changes are probably still present, tending to narrow many income differences. In other words, the increased productivity has been more equally shared.

Then there is another reason why we have poverty. Since being asked to appear on this committee, I have asked many of my friends "Who are the poor in the United States?" You have heard a good deal about the poor. They mentioned—the broken families, the aged, the disabled, and those with low-earning rates. Among those mentioned are some groups that I feel have not been sufficiently recognized. One is the migrant farm families. Another group is the new immigrants into the country. We have in the Southwest, for example, people who are coming in from Mexico, and if you look at the poverty in the Southwest new immigrants are important. You have a similar group in the New York area. In reading New York papers I am struck with the frequent mention of the low incomes of the Puerto Ricans. These new migrants have been attracted to our country, because they on the average can make a higher real income in the United States than in the places from which they have come. We however class them with our poverty groups. We see the need of their having higher incomes if they are to have the American standard of living and benefits essential to all American citizens.

Are we providing adequate opportunities for these people to advance and improve themselves within the economy?

Now, the fourth reason why we have continuing poverty is that we raise our sights, and we must not forget this fact. We have a certain notion as to what is poverty, but it doesn't stay fixed. As we get more real income, people are looked upon as poor even though they have improved their lot. We call them poor because they still are in the lower-income levels. So in order to understand our situation, the paradox of continuing poverty in spite of increased productivity, we have to recognize this basic tendency. In fact a tendency exists to draw a certain point on our income distribution, and say the people below that particular point are in poverty.

As long as we do that, we shall have poverty if we have any inequality existing in our income distribution, and differences in income are an important part of our system of getting high productivity. Thus we have to be careful in our interpretation of certain sets of figures on this basis. I feel that in order to understand our poverty problem we have to have an improved basis of judging what con-

stitutes poverty—a cutoff point on an income distribution is not enough.

Something has been said about the need for new yardsticks of poverty. I agree that if we are going to have a better understanding of poverty trends and where poverty exists in the United States, we must have better yardsticks than we now have.

The question is, What kind of yardstick do we need? Mr. Clague has mentioned one yardstick, and that is the city workers' budget. I am very skeptical of this as a yardstick for understanding poverty. The method of developing this budget is one that tends to result in a bundle of consumer goods that cost very close to the average expenditures of the group of the families who reported the data used in estimating the budget. We, of course, expect some families to have expenditures below such an average, since we expect to continue to have some inequality of incomes. Reward to workers for additional skill and effort alone creates unequal distribution of income. If we use as the yardstick to measure poverty one based on the expenditure of families at a given position in the income hierarchy we cannot eliminate poverty no matter how great our productivity is. Therefore, in our study of poverty, we cannot use a yardstick like the city workers' budget. It has certain kinds of uses, but it is not suitable for investigating poverty. We do need independent means. I think this is a matter for further study.

Yardsticks of other types have been used in investigations of poverty in Europe. I believe that more might be done through the study of consumption and its relation to welfare. The last time I spoke at these hearings my subject was consumption, with special attention to food. Since that time, the dietary studies of the United State Department of Agriculture show that even at the lowest income levels, a very high percentage of the people have adequate diets, so there is little evidence to indicate a relationship between poverty and inadequate diets. This estimate may have some error. Identification of the poor is very crude.

I feel that the method that has been developed by the Roosevelt Foundation may give us more insights as to whether diets are inadequate where typical income is low. The method used attempts to isolate the truly low-income families from those at low-income levels because they had underreported income or because income during the survey year happened to be down for some reason or other. Thus in order to study the consumption of low-income families we must know more about income behavior from year to year, and whether the families below a given income level are in fact unable to maintain a minimum level of consumption. This level should be conceived in terms of welfare and not just departures from a prevailing average of a selected group.

Poverty is a many-sided problem, and many programs bear on it; consequently it is very important to have a continuing flow of many types of information. Policies that focus directly on poverty need to be seen in terms of their effectiveness with respect to poverty and they need to be seen in terms of their implications for the total economy including productivity and the operation of the economy in general.

Thank you.

Senator SPARKMAN. Thank you, Miss Reid.

A great many questions have occurred to me as we have gone through this discussion that I should like to ask, but instead of that I am going to ask the panel to discuss the various questions that may have come up with one another.

Before I do that, Mr. Lubin, I want to express the appreciation of this committee for the materials that the Roosevelt Foundation made available to us. We certainly appreciate all of the cooperation that we have received from you and the foundation.

By the way, I have an engagement that is going to require my leaving promptly at 12:30. That gives us 30 minutes, so I will ask you to keep that in mind in your discussion.

Does anyone have any question or point to make based on any discussion by a member of the panel?

Then I will tell you one question I just feel that I must ask. Mr. Johnson brought it to my mind in his discussion, and it is one that I have great difficulty in my reconciling it to your recommendation. That is, that we must get a fewer number of people dependent upon the farm. I assume by that you mean living on the farm?

Mr. JOHNSON. Yes, sir.

Senator SPARKMAN. I realize that where you change the type of agriculture, mechanizing, and so forth, the ultimate result will be to push people away from the farm; but I wonder if we don't go at this in the wrong way, the easier way, perhaps; that is, of increasing the size of the farm, rather than looking toward greater use of the soil on the smaller farms.

What is going to happen to these people who leave the farm? Are they going to the cities simply to add to the relief rolls? Is industry going to be sufficient to absorb them? Again you have got this question of moving.

Mr. JOHNSON. Well, since 1940 the farm population in the United States has changed drastically in two ways: First of all, the total number of people living on farms has fallen from about 30 million to approximately 21 million. This number, I think we can say, has been absorbed into the non-farm-labor force without adding to unemployment.

In addition to that, a significantly larger percentage of the people who live on farms, and who are in the labor force, have nonfarm jobs than they did before. At the present time about 1 out of every 3 persons who lives on what we call a farm and is in the work force—labor force—has a nonfarm job. In 1940, as I remember, it was more nearly 1 out of 5, so you have had these 2 big adjustments in 15 years that have occurred, and they have not, as I said, added to the unemployment and relief rolls in our urban areas to any significant extent. In fact, there is now much less unemployment than in 1940.

The reason that seems to me this is necessary is that if you take tobacco as an example families with 1 acre of tobacco or an acre and a half are simply not going to be able to earn the kind of living in general that would, say, equal what the same person with the same skilled capacities would earn in nonagriculture, and tobacco is a very labor-intensive crop, and so these farms that have now been adapted to, say, tobacco growing are quite small in general; and if they are going to turn to other things, like livestock—not only a matter of mechanization—but if the farmers are going to turn to livestock, they

will need a larger land area, because it takes more cropland to produce a dollar of income in livestock than it does in tobacco. You have got to have considerable expansion of the size of the farms to allow this to occur.

This is no new trend, the decline in the number of people engaged in agriculture. It started about 1905 or 1910 and has been continuing since, and I can see nothing in the way our economy is developing that will stop it, stop this decline, and add to the number of people who can make a living out of agriculture. It seems to me what we want to do is to facilitate the adjustments that are occurring.

In the State of North Carolina, in the decade of the forties, over half a million people left the North Carolina farms, but the decline in the number of people living on the farms was not very large. There seems to be a question of helping us to speed up, and to minimize the dislocations that follow.

Some dislocations have to occur, I think it is inevitable, but the problem is to minimize them. That is why I suggested that it seems to me the local communities have to be pretty active in this and also have to understand the problems that they are facing. That is why I put the emphasis on that point.

Senator SPARKMAN. Mrs. Burns?

Mrs. BURNS. I was going to ask Miss Reid whether in her statement, which I think was very properly made, about the fact that we do change our basis of poverty, doesn't that in a sense perhaps give us a little too optimistic a picture. For it seems to me that when you look at these tables that you have up here, if you take this identical standard—let's say the under \$2,000—the thing that still leaps to your eye, even though there is this tremendous increase at the far end of the table, on the right-hand side, we still have this very substantial number of the under \$2,000's, where the proportion of the total in that group has decreased only very slightly, even though we retained the identical standard. The real problem is even though we do change it from time to time when we don't change our standard of poverty, we still have this dilemma facing us, that there is this large group of people who persistently remain at the bottom. I think one of the things that we don't know enough about is how far they are the same people, but I would not like the impression to be left, and I don't think Dr. Reed meant to leave that impression, that the problem is in any significant measure that we have changed our concept as to what we mean by poverty.

Miss REID. I do. I emphasize this a great deal. I don't speak about 6 years. I was thinking in terms of 20 years. I wasn't thinking in terms of a continual shifting every year. I don't think we shift our standard that way. We do establish certain kinds of benchmarks and we hold them for quite a while, but I am talking about the upsurge in productivity that comes over the longer period of time. If you trace statements on the extent of poverty in the United States from the thirties to date the shift in yardstick is very apparent. Even after allowance is made for price change it is apparent that the poverty point of \$2,000 to which you refer was looked upon as a fairly good income throughout much of the thirties. In using income distributions to judge poverty I feel that it is of the utmost importance to determine who are the consumers at the low-income levels. By look-

ing at who they are, you can judge whether they are likely to be a group that is continually there. Their characteristics indicate whether they are there because of the way in which the so-called social-security program operates, largely concerned with consumer units and no able-bodied person available for the labor force; the extent to which they are people on short-run unemployment and whose names are likely to move up soon, and the extent to which they are the low-paid occupational people on full-time earnings. Until we do look at such facts we tend to misunderstand the income distributions.

Senator SPARKMAN. Dr. Ensley?

Mr. ENSLEY. Dr. Burns' point related to one I wanted to ask Dr. Lubin. It deals with longer run trends. In recent years we have had, I believe, considerable success in ironing out the major ups and downs in the economy, and we have seen a dynamic growth in the economy, which projection suggests if we are reasonably lucky should continue for the indefinite period. Maybe this is a little too optimistic, but in any event, aren't there forces at work in the economy which will make the distressed area and the low-income problem persist in spite of this ever-increasing aggregate of production? We have just completed two sets of hearings which led me to raise that question. One dealt with automation and technological development. It was pointed out that very often a company finds it easier to abandon a plant completely and move to a different location. This may leave a blighted area where the old plant stood. In our hearings last week, on foreign economic policy, we were given testimony stressing our role in the world today, and the necessity of increasing imports. It was clear that these imports involve domestic economic adjustments and in some cases result in distressed areas.

I wonder, Dr. Lubin, if those two dynamic forces, technological change and foreign trade plus others will not make this problem of distressed areas and low-income areas persist in spite of a rapidly growing and prosperous general economy?

Mr. LUBIN. I think you are perfectly right. For example, one of the communities we surveyed is a community that has been hit by foreign imports. They specialized for over a hundred years on a product, and in the process, trained skilled labor to do a particular type of work. Now they find their markets being taken away by Japan and by the Philippines and France.

If we are going to really be rational about foreign trade policy we are going to have more imports, because this is essential to protect the jobs of those 4 million American workers who make a living making things that we sell abroad. To make it possible for foreigners to buy what those 4 million workers make, we must buy from them.

I feel that we must continue to protect workers affected by imports somehow or other, whether it be through prolonged unemployment insurance, retraining them for new jobs, helping them move into other areas, that is paying their expenses of moving, or in other ways. I think that is an obligation we owe them.

When it comes to the question of technological changes, the problem is very similar. We have a duty to cushion the transition.

Mr. ENSLEY. Does that suggest to you as it has to some of the other witnesses that we need some kind of a comprehensive, broad, federally sponsored program, working with State and localities to deal with

these problems, whatever the cause, whether from imports, or from technological change, or declining industry or whatnot; do you go along with that?

Mr. LUBIN. Very definitely.

Senator SPARKMAN. Do all members of the panel go along with that?

Mr. BARKIN. I would like to endorse that most enthusiastically. It has been something we have been urging for many, many years. It so happens that the industry with which I am associated, the one that is constantly being illustrated, whether it is New York, New England, or Alabama. Mills are closing, whether it is from technology, or imports, or sheer ineptitude of the leadership of the industry; mills are closing.

I brought with me something that might be of some interest. I would like to have it, if I may, introduced in the record. It is the story of what happened—it only appeared a month ago—in a survey of a community owned by Textron Corp., showing what happened to the community immediately after the closing of the mill. Some of the things that Mr. Lubin recited are graphically illustrated here in terms of language of these people.

Senator SPARKMAN. Will you give that to the reporter? It will be inserted.

(The information referred to is as follows:)

TEXTRON WAS HERE

TEXTRON AMERICAN, INC., RECENTLY ANNOUNCED A DEAL TO BUY WU CABLES—THIS IS THE STORY OF THE EXPERIENCE OF ANOTHER GROUP OF WORKERS—AND A WHOLE COMMUNITY—WITH TEXTRON

"It's like watching somebody die."

Melvin Mayo, skilled weaver, was talking about the closing of Textron American's woolen mill in Vassalboro, Maine.

Ever since 1836 when the Yankee ingenuity of Peter Stackpole drew on the power resources of China Lake through Seven Mile Stream to establish a finishing plant for the homespun cloth brought in by neighboring farmers, Vassalboro has had its mill. The industry of the town—and its very reason for existence, the mill grew through the years, operating without interruption for over a century.

The end

Now the whirring of the spinning frames and the clatter of the weaving looms was sinking to a whisper. The Vassalboro mill was closing—shut down by order of Textron American executives in far-off Boston. No one in Vassalboro knew why. Top Textron officials offered no explanation. Local plant officials shrugged their shoulders helplessly, explaining that "all we know is that we're to close up shop."

Vassalboro may not know why. But it is beginning to realize what it will mean to the workers and their families, to the town merchants, to the whole of the closely integrated community of which the mill is the heart. The knowledge is bleak and chilling.

The workers

The population of Vassalboro Townships is 2,260. The mill employed from 300 to 500 workers, the normal force running to about 350. Most of the regular force live in Vassalboro. They and their families make up a large part of the township's total population. The rest of the employees live in nearby communities.

The average worker in the Vassalboro mill is in his forties or fifties. Weavers, spinners, menders, fixers, and dressers, who make up a large part of the force, are highly skilled. Average service for all, including the semiskilled but highly experienced workers in the finishing, dyeing, and picking rooms, is 20 years; some have 40 and more years; many have never worked or lived anywhere else in their lives.

Since 1899 the Vassalboro mill had been owned and operated by the American Woolen Co. When American Woolen, Robbins Mills, and Textron merged recently the Vassalboro mill became part of the newly created Textron empire.

Textron and trouble

The workers and townspeople of the area date their trouble from the time of the merger. Relations between the workers, represented by Local 1249 of the United Textile Workers, AFL, and American Woolen had always been good, union spokesmen say.

Three of the union officers sat in the neat living room of international representative Norman La Chance's modest home directly across the road from the mill and spoke of their experiences with American Woolen and with Textron.

The 53-year-old powerfully built La Chance first entered the mill as an office boy at 16, moving from that to waterboy and then to the weaving looms.

"If it wasn't for the Textron merger this mill would still be running," he flatly asserted. "Things began to change as soon as Textron took over. Our relations with American Woolen were always good. There's never been a strike. In all the years the union has been here only one grievance ever went as far as arbitration. But all that changed when Textron came into the picture."

Arnold Stone, 51-year-old president of the local and a weaver for 26 years, took up the story: "When we negotiated with Mr. Montgomery of American Woolen, we knew that his word was his bond. That doesn't mean that things came easy, but you could always be sure of a straight answer. Once a verbal agreement was reached the company never welched on it. That changed completely when the Textron people began to move in last year. Negotiations were stalled along for weeks at a time. When you thought you had agreement sewed up on a point, you'd come back a week later and find that the company was trying to twist out of it. We could never depend on their word from one day to the next.

"We had to take what amounted to an 11¼ percent wage cut in those negotiations; and on top of that we agreed that weavers would handle 6 looms instead of 4, and we accepted other additional job assignments to increase production. The company said that competition in the industry made it necessary."

Harold Wentworth, 38-year-old business agent of the local whose entire working life has been spent in the textile industry, rounded out the picture: "I've always been proud of the union's record in getting along with management. I've always trusted people. Now I'm beginning to see how wrong I may have been. When the new management came in they said everything was wonderful. The mill was going to expand. The situation in New England, they said, never looked better. They asked for our cooperation, and they got it. But now the beautiful song is suddenly changed. Now they say New England is no place for textiles. They don't say why. All you can get is, 'It's orders from the top.' No cooperation. Just close down and you're out."

No explanation

Vassalboro and the surrounding area is in a state of shock. Not only because of the enormity of the injury the closing will wreak on the workers and the community, but because there appears to be no explanation for the blow. Everything seemed to be pointing in the opposite direction.

Town managers, councilmen, spokesmen for the chamber of commerce, union representatives and workers alike all recall the glowing perspectives painted by the new Textron management. All point to the tangible indications of expansion of the Vassalboro mill—the construction of new offices, remodeling of workrooms, extensive renovations of facilities, installation of new and more productive equipment. In the face of that the cold announcement on September 12 that the mill would be abandoned by Textron on or about October 15 came as a bewildering and crushing shock.

"We were called into the office on September 12," La Chance recalled. "They told us that headquarters had ordered them to close. They learned about it at 10:30 that morning, we were told. There was no explanation then, and there hasn't been since."

"It was so strange," Wentworth remarked. "Here we were walking out to tell the people they were through, and on the way we passed new machinery on its way in."

Editorial comment

Strange, indeed. An editorial in the September 15 Daily Kennebec Journal, of the conservative Gannet chain, put it this way:

"It's hard for Maine people to understand how a big corporation could shift signals on such short order. Families of Amerotron (the textile branch of the Textron empire) executives and personnel moved to the Vassalboro and Waterville area. Many purchased homes and settled down for what looked like a fairly permanent stay.

"Then, apparently, the decimal point moved to where it was decided, in the best Wall Street tradition, that the lever should be pulled. An industry of fine American tradition and high respect is blotted out almost overnight. Families with long histories of high craftsmanship find themselves suddenly facing joblessness."

At stockholders' meetings in the past, officials of Textron have gone to considerable lengths to claim that when one of their plants closes down the company takes special pains to minimize any ill effects on the community.

Vassalboro hasn't seen a single sign of such concern. The switch was thrown. The operation ended. Textron pulled out. The workers were jobless. The community was left to shift for itself.

Not a cent

Not a penny went to the workers to ease their search for new employment. Not a single one was even offered the opportunity to transfer to one of Textron's other mills in New England or to the mill it recently established in the South.

For years the union contract has provided a system of separation pay, collectible at 65 if a worker had 15 years of continuous service and had worked at least a thousand hours in each of those years. Separation pay was figured at 1 week's pay for each year of work up to a maximum of 20 weeks.

When the mill closed down this month, workers who were 65 and more, but who were a few months or even days short of the 15 years' continuous service, went out without a dime. Others who had worked at the mill for 20, 30, and even 40 years, but had not yet reached 65 years of age, went out without a dime.

Union business agent Wentworth illustrated: "One of our women members would have qualified on October 18 for about \$1,200 separation pay. They're closing out her job on October 15. She won't get a cent."

Everything went down the drain. Hospitalization, medical benefits, life insurance—all provided in the contract and all the fruit of many years of struggle—down the drain. The local supervisory officials fared little better. They got 2 weeks' pay, that's all.

The workers speak

In their homes and in the dying mill, the Vassalboro workers tried to put into words what Textron's shutdown order meant to them.

Hildegard Gilbert, 41, mother of 3, in the mill since 1932—with time out only for the children—a skilled operator of an Abbott winder: "My husband, Clyde left last week for a job he heard about in Massachusetts. He's a weaver. Been in the mill for 23 years; never worked anywhere else. I'm going, too, with the two younger children. I hear we'll have to pay \$85 a month rent down there. That hurts on what we can make. We just got through paying off all debts. Now we have to start all over again. We own this house, but I don't know what we can do with it now. It will be hard to rent now with the mill closed. My whole family live around here. It's so hard to pull up stakes. I can't sleep nights for thinking about what's happened to us."

Melvin Mayo, 35, father of 5, started work in the mill at 17, a weaver: "I'm leaving my family here. I'll go to Ware, Mass., where I understand there's work. There's nothing for me here. If you can find work it's for a dollar or a dollar-five, and a married man can't make out on that. I'll leave the family here until school closes. Then we'll see. My wife says, 'What kind of a life is it with you there and me and the kids here?' But what can we do? You look at the looms all shut down and it's like watching somebody die. If you could only read between the lines you'd really know how I feel."

Pauline Lessard, 43, mother of 3, 19 years at the mill, operates a Schneider winder: "My husband is a second hand in the finishing room. We bought our own home about a year ago, on a mortgage of course. Now, I don't know. The future looks pretty hard at our age. It's not only our future, but the future of the children. After you've given your life to a place like this the heartache is you can't get another job. Textron came in and built up our hopes and then let us down, never gave us half a chance. It's not our fault, or the mill's. It's the company."

Emil Duplesis, 42, born and raised in Vassalboro, father of 3, weaver, 23 years at the mill: "After all these years I'll walk out of here with nothing. There's nothing to do but start hunting for another job, though I don't know where. It looks to me that what they're out to do is break up the unions and cut wages. Maybe when they think we're desperate enough they'll open the mill again, under a new name, perhaps, and get the people to crawl back at any wages they're willing to pay."

This latter theme was to recur again and again in comments of workers, and even businessmen and town officials.

The community

Still suffering from the initial shock, the townspeople had only begun to reckon up the impact of the closing on the community.

Francis Munsey, town manager of Vassalboro, pointed out that taxpayments from Textron make up 23 percent of the town's total income. The moment the equipment is moved out of the mill, Vassalboro's income will be cut from 10 to 12 percent. The balance of the mill's taxes is figured on the real estate. What happens to that remains to be seen.

The town is confronted with two alternatives, Munsey said, "Either we have to reduce expenditures, or increase the tax burden of the citizens."

Neither alternative appears to offer a solution. With currently inadequate school expenditures accounting for 60 percent of the budget, and the 4 percent now allocated to charities bound to skyrocket under the impact of mass unemployment in the area, reduction of expenditures appears impossible. On the other hand, with a large part of the town's taxpayers out of work, and some moving away, increasing the tax burden appeared to be completely impractical.

"It's certainly a vicious circle," the town manager ruefully agreed.

There is little confidence anywhere in the area that a solution can be found; only a strained and forlorn hope.

Another closing

"Maybe the Fairfield experience is the answer," they say, without conviction. Fairfield is the nearby town in which another Textron plant, the Kennebec mill, was closed down earlier this year.

Local businessmen and town officials frantically searched around for someone to take over and reopen the Kennebec mill. There is a deal now in the works. The financial details haven't jelled yet, but the prospective owner has already laid down his terms of employment. They call for a guaranty of no union, \$41.60 a week for floor help (a cut of \$8 to \$10 or more), about \$50 a week for highly skilled spinners and weavers (a cut of \$15 to \$20), no vacations, no paid holidays, no hospitalization, medical, or other welfare benefits, but a promise of a "share in the profits" in the future.

Local businessmen and town officials are reluctantly for it. "It's better than nothing," they say. A self-appointed independent committee of 4 Kennebec employees, armed with authorization petitions signed by 190 desperate workers, has acquiesced to the plan. It looks like the deal may go through.

An awful thing

Fred Dyer, secretary-treasurer of Local 483 of the Textile Workers Union of America, CIO, whose 35 years of service at the Kennebec mill was terminated when Textron shut its doors, sat in the parlor of his old framehouse and in a voice weary with trouble talked of the moves to reopen the plant.

"It's an awful thing," he said. "People have reached the stage where they'll practically work for nothing. The fact is a man over 40 can't get work anywhere in these parts. I've been a strong union man all my life, but I've got to take care of myself and my family in the few years I have left to work. It's not whether we like to work for low wages. It's just a question of taking the only thing left for us. If they'll have me, I'll just have to go back. What else can I do?"

One of the new army of displaced persons, a veteran of World War II, recalled the Kilroy signs that appeared in the midst of the devastation of war. "We ought to put signs up all around here," he said. "They'd read, 'Textron was here.'"

Mr. BARKIN. We need this agency. We need the kinds of programs many men have discussed yesterday, and which we have noted today. The specific problem, for example, on which we have memorialized many Congressmen and the FTC and the Department of Justice, is the abuse of our Federal tax system. As Mr. Lubin indicated the carryback provisions are being employed to effectuate mergers, resulting in use of—I describe this procedure, as the use of public funds for the enrichment of private investors to despoil communities which have had old plants and employed families for generations, such as we had in Stottville, N. Y., Hudson, Amsterdam, N. Y., and throughout New England and in the South. This is the procedure of using public funds to enrich individuals in order for them to aid in the collapse of the plant and hasten the onset of misery on individual communities.

We think there is one facet of this problem which I think needs greater stress. It gets lost in the desire to emphasize the fact that something should be done, namely, it needs planning. It needs planning of the proportions that we have done in TVA, and which we can do in other regions of the country.

You can't deal with the problems of Amsterdam, N. Y., Stottville, N. Y., Lawrence, Mass., Lowell, Mass., or Uniontown, Ala., where we had a plant close, or any of these communities. You can't deal with them within the geographic limits of the specific political entity that is involved.

The communities are jealous, competing with one another, resisting one another's efforts, and consequently fail to utilize their common advantages.

We have not as yet revived the approach which we followed during the thirties of the idea of area and regional planning. Our current distaste for the word "planning" has carried us to ridiculous limits, preventing us from doing the things necessary for economic recovery. I am hoping that your committee in focusing and defining this problem doesn't merely point up the possibilities of a small geographical area, or on one small slum district rehabilitating itself. It is a problem of a region, whether a whole area or complete region such as New England. New England will not be revived despite the optimism of

Al Neal yesterday. It will not assume proper proportions until or unless there is real regional planning of the natural resources and of the power resources in that community, and exploitation of its nearness to Canada. These are the necessities of the area. Everyone is running away from it because they are afraid and fearful of the utilizing of Federal resources and Federal know-how. I am hoping your committee gives attention to those problems.

Senator SPARKMAN. Does anyone else want to comment on that or bring up some other matter?

Mr. ENSLEY. Could I ask Dr. Johnson a question?

Senator SPARKMAN. Yes, indeed.

Mr. ENSLEY. In your recent trip to the rural regions of Russia, did you run into more of the type of poverty or less, than we have in some of the regions of low-income and rural areas of this country?

Mr. JOHNSON. I believe that the answer to this question emphasizes the point which was made, that poverty is after all a relative concept, and there is a very substantial difference between the consumption, say, of the Russian peasant and that of the average farm family in the United States. I was asked this question there, and I think I gave the correct answer, that substantially all of the farm families in the United States have a higher level of living than any of the Russian farm families, and even though the farms which we visited were substantially the best in the U. S. S. R., even in comparison with that, even in comparison with those best farms, the level of living of our poorest farm family is still relatively high. They do have in the relative sense many of the same problems that we have. They have some areas that have substantially higher levels of farm incomes than others, and so that in their country, if this were a matter of concern, you could point to the same kinds of difficulties, agriculturalwise, as we point to when we designate, as we do here in this fact book or book on the materials, areas in the United States where you have problems in agricultural areas. They have similar problems.

Mr. ENSLEY. Thank you.

Mr. CLAGUE. Mr. Chairman, I might announce a study which will be published tomorrow by the Department of Labor.

Senator SPARKMAN. I was going to ask you about that. Go right ahead.

Mr. CLAGUE. It is the first of a series of studies designed to discover the problems of workers drawing unemployment compensation benefits. This happens to be a pilot study made in Pittsburgh, Pa., last year, covering the period last year, about 400 families; a study conducted by Duquesne University of Pittsburgh, in cooperation with the Pennsylvania Bureau of Employment Security, and financed and initiated by the Bureau of Employment Security in the Department of Labor.

This will show some of the problems arising from those temporarily in these low-income groups because of unemployment. It is designed to be a pattern study which will be applied in other communities in other States throughout the country.

I would be glad to make that available for the record and I would just say it is for release tomorrow morning.

(The materials referred to follow:)

A DIGEST OF THE SURVEY OF UNEMPLOYMENT COMPENSATION BENEFICIARIES IN
PITTSBURGH, PA.

Study conducted by Duquesne University

INTRODUCTION

This report contains a brief description of the background, methods, and results of a survey of 400 unemployment compensation beneficiaries in the Pittsburgh area. The survey was designed primarily to obtain information concerning the role of unemployment compensation payments in the total economic experiences of the families of these beneficiaries during the year ending August 31, 1954. It was conducted largely as a pilot study in preparation for additional surveys of this type to be made in a number of selected areas throughout the Nation. Since it was a pilot study intended to test a survey method that would be revised and improved as a result of the experience gained in the field, and since the sample of 400 was restricted both in size and in geographic coverage, generalizations from the survey findings for regional or national applications should be avoided. Any interpretations of the results should be made with due consideration given to the limitations implicit in a pilot study, especially of a type of survey never attempted in the past. More comprehensive reports on the procedures and the statistical analysis of the data have been prepared by Duquesne University and submitted to the bureau of employment security of the Pennsylvania Department of Labor and Industry and the Bureau of Employment Security of the United States Department of Labor.

During the year to which the survey findings apply, the Pennsylvania unemployment insurance law provided weekly benefits amounting to one-twentyfifth of high-quarter wages up to a maximum of \$30 per week, with duration of benefits ranging from 13 to 26 weeks. Since that time, the law was amended to include, among other things, a maximum benefit of \$35 per week with uniform duration of 30 weeks. Despite these changes, the findings of the study still hold considerable value and interest.

A FEW HIGHLIGHTS OF THE STUDY FINDINGS

For "single" claimants (one person living independently, regardless of marital status)—

Weekly wages averaged \$63 before taxes; \$54, after tax withholding.

Weekly unemployment benefits represented: 50 percent or more of average gross weekly wages for 37 percent of claimants; 40 to 49 percent of average gross weekly wages for 40 percent of claimants; less than 40 percent of average gross weekly wages for 23 percent of claimants.

For claimants who were main wage earners in 4-person families—

Wages were somewhat higher than for "single" claimants: \$76 before taxes; \$70, after tax withholding.

Eighty-eight percent were eligible for the \$30 maximum weekly unemployment benefit as compared with 61 percent of "single" claimants.

Weekly unemployment benefits represented 50 percent or more of average gross weekly wages for 7 percent of claimants; 40 to 49 percent of average gross weekly wages for 50 percent of claimants; less than 40 percent of average gross weekly wages for 43 percent of claimants.

An analysis of claimants whose unemployment continued for at least 8 weeks showed that—

During the period of unemployment, the weekly benefits represented all of the income available to three-fourths of the single claimants and to 40 percent of the families of claimants who were chief wage earners. For an additional 20 percent of each group, weekly benefits made up at least 80 percent of total income. These claimant groups reported a substantial reduction of total expenditures after the onset of unemployment. However, the weekly benefit

covered less than 60 percent of these reduced expenditures for most "single" claimants and less than 45 percent for most families with their main wage earner out of work, indicating the necessity to draw upon savings and other assets or to incur debt.

Benefits to claimants who were secondary wage earners accounted for a much smaller proportion (about one-fifth) of the total family income than was the case with the other claimant groups, and the total spending by the family was not greatly reduced after the claimant became unemployed.

The survey also showed that—

Expenditures for food and clothing were generally curtailed after job loss. Housing costs remained somewhat constant, although about one-fourth of the claimants reported plans to make housing adjustments.

Substantial proportions of claimants reported receipt of free medical care, gifts of food and clothing from relatives or friends, and Government surplus food or other relief. About one-third of the claimants who were main wage earners reported surrender or adjustment of life-insurance policies after the onset of unemployment.

BACKGROUND OF THE PILOT STUDY

Nature of the study

The Federal-State unemployment insurance program has been in operation for nearly two decades. While many studies pertaining to specific phases of the program have been undertaken over the course of this period, none has attempted to analyze the characteristics of beneficiaries and, at the same time, to show the role of unemployment insurance benefits with respect to the total income and expenditure pattern of beneficiaries before and after the onset of unemployment. It was intended that this study, which was conducted in the Pittsburgh, Pa., district, would constitute the first of a series of comparable studies to be made in other areas of the country. The study was undertaken by Duquesne University in cooperation with the Bureau of Employment Security of the United States Department of Labor and the Bureau of Employment Security of the Pennsylvania Department of Labor and Industry. Technical assistance was provided by the Bureau of Labor Statistics of the United States Department of Labor.

Development of a study method

As early as January 1953, the Federal Advisory Council on Employment Security recognized the need for a survey of this type. The Council, in considering the benefits provided under the unemployment insurance system, felt that there was need to gather information in addition to that provided in a 1952 report of the Federal Bureau of Employment Security entitled "The Adequacy of Benefits Under Unemployment Insurance." The Council recommended "the development of a current picture of the experience of unemployed workers while receiving benefits and after exhaustion of benefits." A technical committee of State and Federal agency research personnel was established to advise the Council's Committee on Benefit Adequacy on problems concerning the development of a study method. The techniques used in this survey reflect the deliberations of the technical committee.

Need for a pilot study

Since the proposed survey was unique in a number of ways, it was considered advisable to test and evaluate the effectiveness of the schedule, procedures, and results in one district before attempting such studies in other areas throughout the country. The results of the pilot study, it was thought, would be useful in making modifications in methodology and procedure, and in determining time and budgetary allocations necessary for succeeding studies. In addition, although the pilot study was basically experimental in nature, it was felt that the findings would, nevertheless, be useful to the State and Federal Bureaus of Employment Security in their work of program evaluation and analysis.

Applications of the findings are necessarily limited, since the pilot study upon which they are based was restricted to a 1-year period (September 1, 1953–August 31, 1954) and to the area served by the 7 claims-taking offices in the city of Pittsburgh and an additional office in the nearby city of McKeesport.

Objectives of the study

In any attempt to evaluate an unemployment insurance program it is important to know, or to provide data for, the answers to questions such as:

1. To what extent does the weekly unemployment benefit amount meet the objectives of the program?
2. What portion of the claimant's expenditures for basic items (such as food and shelter) during his unemployment is covered by the unemployed insurance check?
3. What is the relationship of the weekly benefit amount to the total weekly income of the beneficiary?
4. How does the pattern of income and expenditures of the claimant vary before and after the onset of unemployment?
5. What economic adjustments does the family make during periods of unemployment?

The survey endeavors to provide answers to these questions and to provide additional data which will permit comparisons with data of a similar nature provided by other studies of income and expenditure patterns of the general population.

THE METHOD

Selection of the sample

The sample of claimant family units included in the survey was carefully chosen so as to be representative of all such units in the area selected for the survey. Only claimants whose benefit rights were determined under the Pennsylvania law were included in the sample. Among the excluded claimants were interstate claimants and those receiving veterans' unemployment compensation or partial unemployment insurance benefits.

The survey was limited to 400 families consisting of 100 "single" claimant units (persons living as independent "families" regardless of marital status) and 300 four-person family claimant units. The latter units included 230 in which the claimant was the main wage earner and 70 in which the claimant was the secondary wage earner.

A 17-percent random sample, consisting of 4,185 claimant family units, was initially taken of all claimants filing claims for the last week of August 1954. The 400 claimant units were obtained from the 17-percent sample.¹

Procedure employed in collection of data

In the early stages of planning the study, it was decided that data collection could best be accomplished by means of field visits. The instrument used in the interview was a detailed income-expenditure type schedule in the construction of which the Federal Bureau of Labor Statistics acted as consultant. The schedule provided for information concerning household composition; housing; household operation; housefurnishings and equipment; food; apparel; medical care; personal care; tobacco and alcohol; reading, recreation, and education; private and public transportation; other family expenses; work histories and income; and savings and financial adjustments. The questions asked were detailed and uniformity designed to elicit the necessary information in an accurate and precise manner. Questions were asked concerning variations in expenditures during the year in order to procure the "before and after" unemployment picture.

The field staff of some 20 men and women were selected and trained by Duquesne University. The claimants were apprised in a letter from the president of the university of the nature of the survey and of a proposed visit by an agent. The letter also referred to the confidential nature of the interview, and this fact was reiterated to agents during the training period. In order to insure good public relations, the community was advised of the survey by a press release on the eve of data collection. In addition to the schedule, every agent was requested to complete an interview evaluation on each contact. An analysis of the evaluations showed that the agents found that the claimants were

¹ The comprehensive report, referred to in the introduction to this digest, contains a full description of the statistical techniques employed in selecting and processing the sample.

able to recall much detail on income-expenditure amounts and dates. The claimants were very willing to cooperate in supplying these data.

Each schedule was carefully edited, and the extent to which the financial data reported did not balance was noted prior to tabulation and analysis. Theoretically, each completed interview should have resulted in a summary of financial data from which the sum of the expenditures, the increases in assets, and the decreases in liabilities for each family would equal the sum of the receipts, the decreases in assets, and the increases in liabilities. The extent to which these factors did not balance was calculated as the "balancing difference" and provided, roughly, an internal check on the consistency in the reporting of the data and a guide in the review of the schedule. Ninety-two percent of all schedules used for tabulation and analysis had a "balancing difference" of 25 percent or less of total income or total expenditures, whichever was the larger total.

Distribution of the returns

Reference has been made to the selection and processing of the survey sample. An examination of the interviewing results revealed that schedules for 88 percent of the sample were complete and usable. In this group were 83 percent of the single claimants, 95 percent of the 4-person main wage-earner claimant units, and 73 percent of the 4-person secondary wage-earner claimant units that made up the original sample of 400. Schedules for 2 percent of the sample were completed but were not usable for tabulation and analysis. One percent of the sample claimants discontinued the interview. Schedules for 6 percent were not completed due to lack of contact with the claimant, and another 3 percent due to refusal to cooperate in the survey. Twelve percent of the claimants in the original sample were not interviewed, largely because of inaccuracy in reporting family size and composition. Replacements were made for this latter group of ineligible cases.

SOME OF THE FINDINGS

Personal characteristics of claimants

As would be expected, the sample was representative of the claimant universe with respect to such characteristics as age, sex, wages, occupation, and industrial attachment. There were over four times as many men as there were women among the claimants in the sample. Only among the claimants who were secondary wage earners in four-person families did women outnumber the men. Single claimants in the sample, as a group, were decidedly older than either main wage-earner or secondary wage-earner claimants in four-person families.

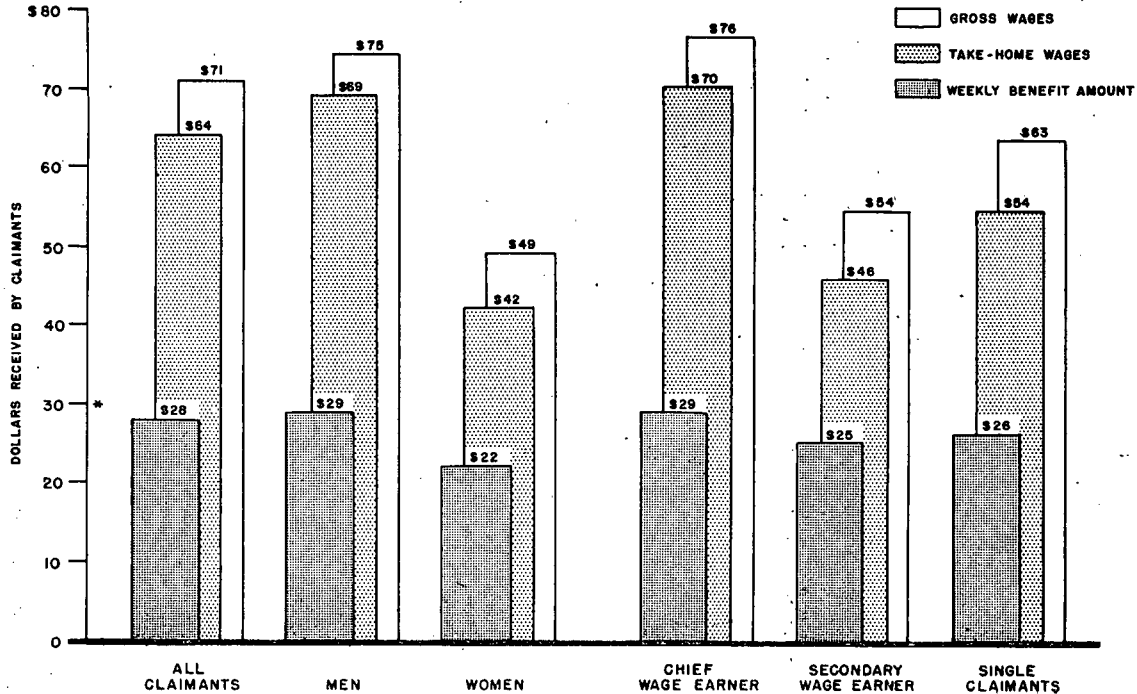
About two-thirds of all claimants interviewed had been employed in manufacturing, and another 15 percent had been in wholesale and retail trade. The proportion of claimants who had been employed in manufacturing exceeded the proportion of all insured workers employed in manufacturing in March 1954 in Allegheny County, which consists largely of Pittsburgh and McKeesport. The number of claimants in the sample who had been employed in wholesale and retail trade, on the other hand, was proportionately less than the employment of covered workers in trade in Allegheny County.

Benefits compared to average weekly wages

Of considerable importance in this study is the comparison of the claimants' weekly unemployment compensation benefit amounts to their average weekly wages earned during periods of regular full-time employment. On the assumption that the weekly benefit amount should be about 50 percent of the average weekly wage, the study indicates that about 85 percent of all cases fell below this standard. Among the single claimants, 63 percent received less than 50 percent of their gross average weekly wages as compared with 93 percent of the claimant main wage earners in 4-person families. With respect to "take-home" pay, that is, gross wages less Federal income taxes withheld, 39 percent of the single claimants received less than 50 percent of such wages, in contrast to 79 percent of claimant main wage earners in 4-person families. Comparisons of weekly benefits and wages are shown on graph 1.

GRAPH I.

PITTSBURGH, PA. -- SEPTEMBER 1, 1953 - AUGUST 31, 1954

WEEKLY BENEFIT AMOUNTS OF UNEMPLOYMENT COMPENSATION COMPARED TO
AVERAGE DOLLAR AMOUNTS OF WEEKLY EARNINGS

*STATE LAW PROVIDED FOR A MAXIMUM WEEKLY BENEFIT AMOUNT OF \$30 DURING THIS PERIOD.

Most claimants received weekly benefits of more than \$25 with almost all of these claimants receiving the maximum of \$30. Nearly 90 percent of all men received the maximum benefit compared to less than 30 percent of the women. A much greater proportion of men claimants in both single and four-person family units received the maximum than women claimants in such units.

Benefits compared to weekly income and expenditure during claimant's unemployment

In addition to analyzing the weekly benefit amount in relation to claimant's gross and take-home weekly wages, the study shows whether claimants had other sources of income during their periods of unemployment, and shows further what part of their expenditures, during such periods, was provided for by the weekly benefit amount. It was decided that the periods of unemployment studied should be long enough to provide data conducive to an analysis of income and expenditures, before and after the onset of unemployment. For this purpose, the analysis was confined to those claimants who had 8 weeks or more of consecutive unemployment, and 8 or more consecutive weeks of full-time employment during the survey year.

The analysis reveals that the weekly benefit amount provided all or almost all of the weekly income for the majority of the claimant units while unemployed. For half of the four-person units where the chief wage earner was jobless, the weekly benefit amount accounted for about 90 percent or more of income, while for three-fourths of the single unit it accounted for 100 percent. Among the four-person units where only the secondary wage earner was unemployed, the weekly benefit amount provided about 20 percent of the total family income in most cases. On the other side of the picture, the weekly benefits provided for less than 50 percent of the expenditures in over half the claimant units. Among most single claimants, unemployment compensation accounted for less than 60 percent of expenditures, while among the four-person units, with the main wage earner out of work, less than 45 percent of total family expenditures were covered by the benefit in the majority of cases. Secondary wage-earner claimants provided for about 15 percent of their families' costs with their weekly benefit as compared to approximately 20 percent of the family income.

Income and expenditures before and after onset of unemployment

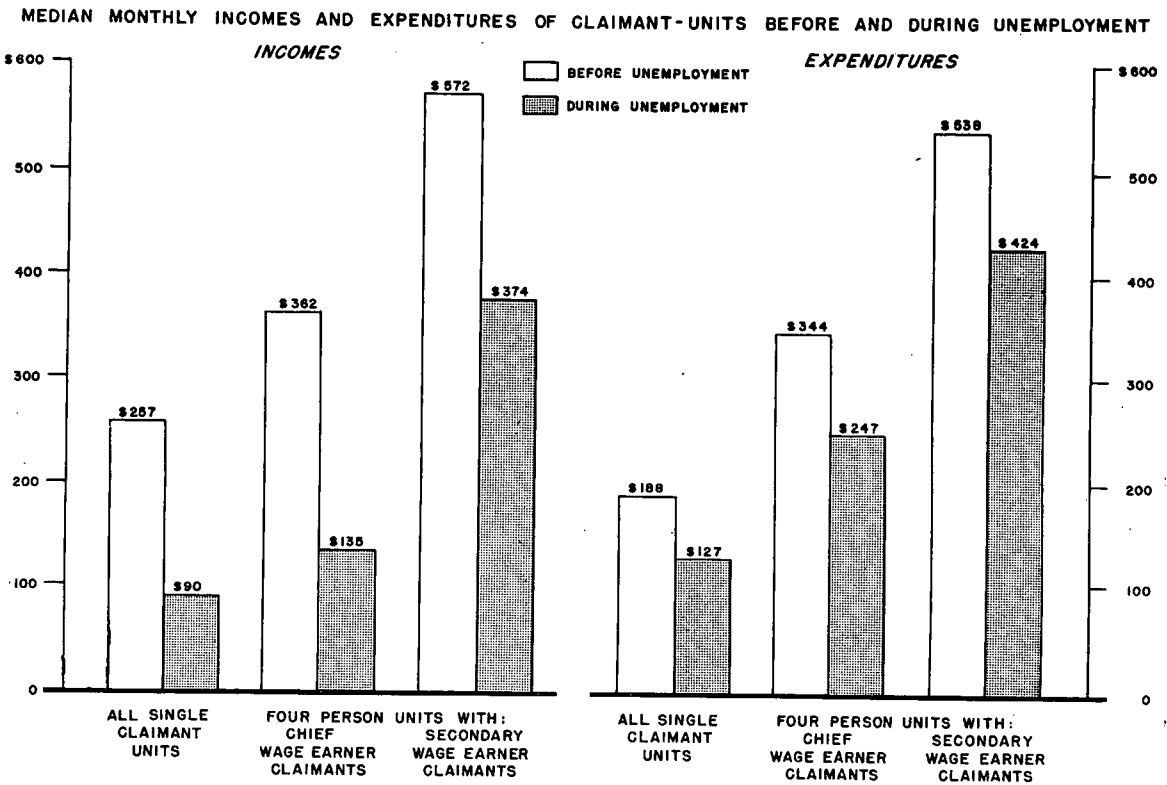
One of the purposes of this study was to determine, insofar as possible, the nature and extent of income and expenditure patterns of unemployment compensation beneficiaries before and after varying periods of unemployment. Not all claimants reported data conducive to the development of a before-and-after analysis. After careful screening, it was decided to present such data for those cases which reported specific information, and for only those instances where the claimant had been employed continuously full time for at least 8 weeks prior to a consecutive unemployment period of at least 8 weeks.

The analysis shows the following:

1. As was to be expected, both income and expenditures of four-person family units and single claimants declined after the onset of unemployment.
2. In every instance, at all levels of income, total expenditures after unemployment were less than total expenditures before and were greater than total income after unemployment. Expenditures also exceeded income before unemployment in some income classes among the four-person units but by considerably less than was the case after unemployment.
3. Four-person family units and single claimants in general, exhibited similar income-expenditure patterns.
4. After onset of unemployment, the monthly income of most single claimants declined to less than 35 percent of what it had been prior to unemployment. Among four-person claimant units, the monthly income of most families whose chief wage earners were unemployed also fell to less than 40 percent of former levels; while, where secondary wage earners were unemployed, family income was reduced less severely.
5. Single claimants generally had lower incomes than did four-person claimant units; they also spent proportionately less.

Graph 2 portrays these before-and-after relationships of income and expenditures.

GRAPH II
 PITTSBURGH, PA. -- SEPTEMBER 1, 1953 - AUGUST 31, 1954



The impact of unemployment on expenditures

The study, in addition to presenting summary data concerning total income and expenditures of beneficiaries before and after the onset of unemployment, offer detailed data on the distribution of expenditures throughout various categories. Calculations were on a monthly basis for cases grouped by size of income prior to unemployment.

An analysis of these data shows the following:

1. Both single and four-person claimant units spent their money in a similar manner, the bulk prior to unemployment going for food, shelter, apparel, and a miscellaneous group of costs, including such items as Federal withholding deductions, local wage and per capita taxes, gifts, and contributions.

2. Expenditures for food, although curtailed during unemployment, represented, together with housing, a greater proportion of total expenditures during the claimants' unemployment than before such employment. This situation resulted from the tendency to cut expenditures more sharply in other categories, notably apparel, transportation, and the miscellaneous group. The reduction in the latter group was due largely to the disappearance of the tax deductions associated with wage earnings.

The following table compares the median monthly expenditures for three of the principal categories of expenditure before and after the onset of unemployment:

TABLE 1.—*Comparison of median monthly expenditures¹ for food, housing and utilities, and apparel before and after the onset of unemployment*

Type of claimant-unit	Food		Housing and utilities		Apparel	
	Before	After	Before	After	Before	After
Single claimants.....	\$50	\$44	\$32	\$30	\$10	\$4
4-person units, claimant as chief wage earner.....	128	96	52	41	24	15
4-person units, claimant as secondary wage earner.....	165	157	53	51	45	34

¹ Based on data for claimants with at least 8 successive weeks of unemployment preceded by at least 8 successive weeks of full-time employment.

Total expenditures during survey year

The pilot study also shows how all single and four-person claimant-units accounted for their expenditures during the survey year. The general pattern reveals that, percentagewise, both groups were highly comparable in their expenditures. By amount, however, the four-person family claimant-units spent about twice as much as did single claimants. The mean expenditure amount during the survey year for all single claimants was \$2,332; for all four-person claimant-units, this expenditure was \$4,608. Single claimants devoted more than one-half of their spending to food, housing and utilities, and apparel. Another one-fifth was spent for miscellaneous items (tax deductions, gifts, contributions, etc.). The remaining three-tenths was scattered through nine different expenditure groups.

Four-person family claimant-units directed almost one-third of their expenditures to food and one-half to the combination of food, housing, and apparel. Each of most of the remaining areas of expenditure represented less than 5 percent of the total pattern. A summary of these yearly expenditures for all claimants is presented in table 2.

Net assets and net liabilities for the survey year

Claimant-units surveyed reported on the changes in their assets and liabilities. This aspect of the study was especially important, since income fell so far short of spending for most units during their periods of unemployment. Here the analysis centered on the question of how much the financial resources of the claimant unit could be or were used to meet the situation. In summary, the following indications were brought forth:

1. Single claimants and four-person units where the claimant was the chief family wage earner decreased their assets substantially, on the average, during the survey year. These assets include bank savings accounts, Government bonds, and other securities.

2. The average change in liabilities was comparatively slight for both of these claimant groups. Liabilities consist chiefly of money owed to banks, individuals, loan companies, insurance companies, and to stores in the form of charge accounts, installment accounts, etc.

3. Both assets and liabilities averaged considerably higher at the close of the survey year for four-person family units where the claimant was a secondary wage earner.

4. A rather sharp contrast prevailed between men and women claimants as to the average net changes in assets and liabilities. Units with women claimants show fairly large average increases in liabilities as compared with slight average decreases for male claimant-units.

TABLE 2.—*Distribution of average annual expenditures during survey period*¹

Expenditure group	Single claimants	Four-person families	
		Chief wage earner	Secondary wage earner
Total expenditures.....	\$2,332	\$4,222	\$6,629
	Percentage distribution		
Food.....	27.9	32.8	29.6
Housing and utilities.....	17.8	15.8	13.2
Other household operation.....	3.0	3.2	2.5
House furnishings and equipment.....	1.2	2.2	2.4
Apparel.....	5.7	6.4	7.9
Medical care.....	2.7	3.8	3.2
Personal care.....	1.6	1.5	1.4
Tobacco and alcoholic beverages.....	7.2	3.8	4.0
Recreation, reading, and education.....	3.7	3.6	3.9
Automobile transportation.....	4.8	9.6	7.3
Other transportation.....	2.8	1.7	2.2
Insurance.....	3.0	4.5	5.3
Taxes and other expenses ²	18.6	11.1	17.1
Total.....	100.0	100.0	100.0

¹ Based on data for all claimants surveyed, regardless of duration of unemployment.

² Includes Federal withholding tax, local wage tax, school tax, occupational expenses, and miscellaneous other expenditures.

Economic adjustments due to unemployment

Beneficiaries were questioned concerning the economic adjustments that had been made or contemplated as a result of their unemployment. The schedule provided for free-response questions as well as for the recording of specific answers pertaining to use of savings, surrender of insurance policies, cashing bonds, changes in living arrangements, etc. All claimants were asked about their financial adjustments, but not all responded.

Table 3 shows the proportions of all claimants in the survey sample who made specific adjustments as a result of unemployment. It should be kept in mind that, since not all claimants responded to these questions, the proportions may be somewhat understated.

TABLE 3.—*Economic adjustments made by claimant units as a result of unemployment*

Type of adjustment	Percent of claimants making adjustment ¹		
	Single claimants	4-person family with claimant as—	
		Chief earner	Secondary earner
Changed usual manner of living.....	59	80	35
Decreased cash savings.....	27	28	10
Exhausted cash savings.....	18	14	4
Cashed Government bonds.....	7	15	4
Received relief, goods or services.....	12	27	1
Received free clinical or medical care.....	7	12	5
Borrowed money.....	20	46	8
Received gifts of substantial value, chiefly apparel.....	11	40	7
Cut all expenditures.....	47	50	8
Adjusted or surrendered insurance.....	35	33	15
Made or planned housing adjustment.....	10	28	6

¹ These percentages add to more than 100, since many claimants reported more than 1 type of adjustment.

As would be expected, the greatest economic adjustments were generally made by main wage earner claimants. Single claimants were also required to make considerable economic adjustments as a result of their unemployment. Families of secondary wage earner claimants were least affected by unemployment. Despite their relative lack of financial responsibilities, however, a greater proportion of secondary wage earner claimants either had returned to work or were certain of a job within the near future. One-third of all claimants were hopeful of returning to work, but not assured of a job. One-third were pessimistic about their future employment prospects, and about 25 percent either returned to work or were certain of a job.

Benefits, incomes, and expenditures

The concluding analysis of the report is concerned with total benefits, incomes, and expenditures of the claimant units during the survey year and the unemployment period. Totals pertaining to the unemployment period were limited to data from claimant units with but one period of unemployment (of at least 8 weeks) during the survey year.

For all claimant units, the analysis shows that during the survey year:

1. The average income from all sources was \$4,359, the average expenditure was \$4,248.

2. This average income was composed of \$2,728 (63 percent) from gross wages or salaries of claimants, \$1,384 (32 percent) from other sources of income of all family members, and \$247 (5 percent) from unemployment benefits.

For those claimant units with only one period of unemployment, the analysis shows:

1. The average length of unemployment was 15 weeks for 4-person family claimant units and 19 weeks for single claimants.

2. During the period of unemployment, 4-person units had an average total income of \$653 and spent \$952; for single claimants, total income was \$347 and expenditures \$587.

3. Total unemployment benefits for the 2 groups were, respectively, \$382 and \$314.

Mrs. BURNS. Mr. Chairman, while we are talking about foreign trips, may I throw in one point to emphasize what I said about the need

for doing something about the cost of medical care as an element in causing low incomes.

I have just returned from a trip, not to Russia, unfortunately, but to England where, as you know, there is a comprehensive free national health service, and returning to the United States after that experience, one almost has the impression of stepping back somehow in history, into an almost prehistoric world.

To return to a country where the problem of the fear of medical costs hangs over the heads of the vast majority of people, not only in the lower-income groups, but in the middle-income groups, is really quite astonishing. It is a shock to come from a country where there is no longer that particular concern about the fact that your savings which you have carefully husbanded to supplement your old-age pension or your retirement allowance or anything of that sort can be wiped out almost overnight. That fear no longer exists in the minds of anybody in Great Britain at the present time. It is astonishing what that seems to do to morale, to the attitude toward savings, and what, of course, in practice it means to the vast majority of the middle classes.

I would very much hope that when we study more intensely the low-income groups, we would pay special attention to what proportion of them are there because of the constant necessity to spend funds on medical care, the erosion of their savings, and the fact that they have not been to the doctor in time, or had access to adequate medical care, and this problem, of course, is a perpetuating one.

I have much liked what Dr. Reid said about this problem of how far the people in the low-income families are there because in the past they were members of low-income families. They were brought up in low-income families, and I do hope that this committee will take a very serious look at ways and means of developing some method whereby we not only remove from families the specter of the burden of medical-care costs, but also some way of making sure that adequate medical care is available to all our families, as and when needed. Those are two not necessarily separate problems, but they are both aspects of the major problem.

Mr. BARKIN. Senator, I would like to simply call attention to two figures here which are rather useful. Everyone has focused on the problem of the South and being half a southerner myself, at least by reason of the amount of time I spend in the South, I think that these particular facts are rather interesting: Poverty in the South is not due to merely the problems of agriculture. They are due largely to continuance of low wages.

I have one report here for the State of North Carolina, published by the North Carolina State Department of Labor, for January 1955, which presumably is approximately the condition now prevailing, and will be prevailing in March 1956. There were 45,000, or 6 percent of the 565,000 people in nonmanufacturing industries who were getting less than 55 cents an hour. That is 8 percent of the people. The Legislature of the State of North Carolina resisted the Governor's suggestion, for a statutory minimum of 55 cents, and there were shouts of outrage on the floor of the legislature and in committee hearings at the thought of raising wages to that level.

That is a very significant drag on the southern economy and the cause of much of our low income in that area.

Senator SPARKMAN. Is there anything further?

By the way, Mr. Clague, I see Mr. Batt, Jr., in the audience. He testified before us during a couple of sessions, and in the course of his testimony, he made reference to a recommendation. He made a recommendation that a change be made in reporting loss of time as a result of work stoppage. Has that come to your attention?

Mr. CLAGUE. I just had a chance this morning to read what he said. It has come to my attention just now.

Senator SPARKMAN. I just happened to see him and to recall that. It seems to me there is considerable substance in his recommendation.

If there is nothing else, I want to express the appreciation of the subcommittee to each of you for your fine discussion this morning. I think it has been quite helpful, and I appreciate your participation.

I have received a letter from Mr. Edward D. Hollander, national director of the Americans for Democratic Action, with the request that this letter be made a part of the record. I am glad to insert it in the record at this point.

(The letter referred to is as follows:)

AMERICANS FOR DEMOCRATIC ACTION,
Washington, D. C., November 19, 1955.

HON. JOHN C. SPARKMAN,
Chairman, Subcommittee on Low-Income Families,
Joint Committee on Economic Report,
Senate Office Building, Washington, D. C.

DEAR SENATOR SPARKMAN: The studies recently released by your Subcommittee on Low-Income Families of the Joint Committee on the Economic Report, revealing the extent to which poverty still persists in our country after a decade of nearly unbroken prosperity, confirm the urgent need for public programs of nutrition, housing, education, health, and welfare which have much too long been neglected. ADA is convinced that further neglect will result in serious and lasting damage to many of our people and many sections of our country.

The fact that 1 American family in 5 or 6 lives at or below the poverty line in this prosperous "year" of 1955 is nothing less than a national disgrace—all the more so because it is unnecessary and avoidable. Prosperity that passes over so many of our families is not real prosperity, nor is it economically or morally tolerable.

The facts of the extent of poverty in America expose the cruel flaws in our prosperity and in the administration's policies under which the well-to-do have grown richer while the poor remain poor or grow poorer. These facts also expose the cynical design of the administration to use the theme of prosperity as a hoax first, to cover up its refusal to take the action necessary to help the low-income families; and, further, to justify cutting public services to make possible tax cuts for a favored few. Since the administration has heartlessly neglected its responsibilities on behalf of our least favored citizens, we hope the Congress will enact programs so greatly needed. There is no reason why people who are too old to work, or too young, or disabled, and their families should suffer acute want when the country has ample means to provide adequately for them without sacrificing the standard of living of the rest.

The country owes your committee a debt of gratitude for its objective and factual presentation of this important problem, and for calling before it leading experts to discuss the problems of poverty and the means of dealing with them. Since the committee's hearings do not provide an opportunity for organizations to be heard, we would like to take this opportunity to state ADA's views for the record. A copy of this letter is being sent to all members of the joint committee. We would appreciate it if you would make the letter part of the hearings.

Your studies show that there are something of the order of 25 to 30 million Americans living under conditions of poverty because they do not have enough money to maintain a minimum adequate level of living. Many of them are aged, many are sick or disabled, many are in broken families and—most important—some 10 million are children. In general, full employment is not the answer to their problems: either because of their personal circumstances or because they are located in depressed areas, they are for the most part passed over by

the general prosperity. Neither, in general, are Federal tax reductions an answer: most of these families receive and spend too little to pay taxes.

Not only are they victims of poverty and of the suffering that poverty brings, their poverty also has a depressing effect on the economy as a whole, since they cannot participate except most meagerly either as consumers or as producers. As consumers they are limited to less than the essentials of food, shelter, and clothing; two-thirds or more of their incomes are required for food and shelter alone. As producers, they are handicapped by reason of age, illness, or disability, or because they are situated in depressed agricultural or industrial areas where they have little opportunity to be fully productive. Worse still, the children in these families are being raised under conditions of poor health, inferior education, and limited opportunities that will limit their productiveness as they reach working years. In sum, we have here a self-perpetuating source of poverty and recurring weakness in our society.

No matter how hard they try, these people cannot raise themselves by their economic bootstraps. Public programs must step in to break through this cycle of poverty. Your subcommittee will hear much expert testimony on particular aspects of such programs.

Americans for Democratic Action believes that the country cannot be really prosperous until we find and implement the means to bring some share of the national prosperity even to these most disadvantaged of our citizens. We realize that this is not simply or quickly done. The causes of their poverty and low productivity are deepseated and diverse, and so must be the cures. Nevertheless, measures are available today to make a start toward restoring these low-income families to full citizenship and participation in our society.

1. *Enough to eat*

"Expenditures for food and housing," says the subcommittee staff document, "absorbed most of the income of substandard families and individuals, especially those with the lowest incomes." Yet we know from much accumulated evidence that many of them do not get enough to eat, either in the quantitative or the dietary sense. The number of such families runs to millions. In fact, it seems that there is a sizable number of families at the bottom of the income scale who are eating no better than the most depressed families of 50 years ago, and who are probably as numerous now as then. In other words, the very poor have not shared at all in the spectacular and progressive rise in the American standard of food consumption during this half century. Because of our abundant food supplies, the standards of consumption of these underfed families can be raised with no sacrifice by the rest of us. What is lacking are the means of making the necessary food available to the families who cannot afford to buy them. Some of the means are at hand.

(a) *We urge the subcommittee to endorse a program of special food subsidies to low-income families through a food-stamp plan.*—Under such a plan any family could buy a completely adequate diet by exchanging 40 percent of its income for food stamps sufficient to purchase the required foods in any food store. Such a plan would not only provide low-income families with enough to eat but would also increase farmers' incomes by increasing the market for their products. This is particularly true of commodities like dairy products, meats, poultry products, fresh fruits and vegetables, of which low-income families consume far less than they need.

(b) *We urge the subcommittee to endorse a greatly expanded school lunch and milk program.*—The effects of poverty are most devastating and most serious on children, and school lunch and milk programs offer the readiest means of seeing that they, at least, do not lack proper foods. These programs should be expanded to be available to all the Nation's schoolchildren, instead of the minority now included. It is unnecessary and, in the long run, an incalculable waste to permit millions of our children to grow up undernourished.

2. *A decent home*

In 1950, 1 dwelling unit in 10 in the United States was dilapidated, and more than 1 in 6 lacked inside running water. It is reliably estimated that in 1950 some 15 million dwellings needed to be replaced or rehabilitated because they were substandard. Clearly this is largely a problem of low-income families. To a great extent they are the occupants of substandard housing, simply because they cannot afford better. (The urban families among them spend on the average only \$400 a year on housing.) They are also least able to pay the price of replacement or rehabilitation. One can be certain that they have shared last and least, if at all, in the building boom of the past 5 years. The

Government's housing programs have largely passed them by. The housing problem is complex, and it would be foolish to suggest that any single, simple solution, however well financed, would suffice. But it is clear that millions of families cannot afford decent housing unless the Government pays part of the cost.

(a) *We urge the subcommittee to endorse a program of not less than 500,000 public low-rent housing units per year for the next 5 years to meet the demonstrated needs.*—In 1950, the need for such housing for the decade of the fifties was calculated at 3.5 million units. During the first 5 years of the decade, fewer than 200,000 have been built. To meet the need by 1960, we would need to build 660,000 a year for the next 5 years. To fail to do so means that we condemn millions of families to continued squalor and degradation. In the face of such needs, programs of 35,000 and 45,000 are ludicrously inadequate.

(b) *We urge the subcommittee to endorse a program of slum clearance, urban renewal and redevelopment, and rehousing calculated to eliminate slums in the next decade.*—Slums breed poverty and poverty breeds slums. No attack on poverty can fail to come to grips with the problem of slum clearance. For half a century we in the United States have denounced slum dwelling and talked much about eradicating slums, but we have made barely more than a good start. However, the limited beginnings show that it can be done, if it is approached with characteristic American determination and resourcefulness. But it will be done only if the Federal Government takes the lead and supplies an important part of the financing on a scale large enough to get the job done.

(c) *We urge the subcommittee to endorse programs of low-cost rural housing, both farm and nonfarm.*—In 1950, more than 2 million rural home—more than 1 million on farms—were substandard. The need for Government assistance is no less for these families than for city families.

3. Protection of health

The problems of health and illness are particularly serious in the low-income population. Disability from illness or injury is one of the commonest causes of poverty, depriving the family of its wage earner and overstraining its limited resources. The failure to enact any comprehensive program for financing family medical expenses has left many families exposed to crushing medical bills. According to the subcommittee staff report, more than one-fourth of families with incomes under \$2,000 had medical expenses amounting to 15 percent or more of their annual incomes and had gone into debt to meet these expenses. The need for a nationally comprehensive system of insurance to cover medical costs is as compelling as ever. However, even in the absence of such a system, there are measures which can be taken to help the low-income families.

(a) *We urge the subcommittee to endorse a system of temporary disability insurance and permanent disability insurance.*—These, while they would not directly affect health, would at least ease the financial burdens and cushion illness-stricken families against poverty. We believe temporary disability insurance can be made a part of the unemployment-insurance system, as it already is in some States; and permanent disability insurance can be an extension of the old-age and survivors insurance, paying benefit for disability before retirement age. Both of these are clearly needed, clearly feasible, and could be put into effect in a comparatively short time.

(b) *We urge the subcommittee to endorse a comprehensive program for assuring at least basic medical care to those families whose incomes do not permit them to purchase it.*—In many States and localities, State and local governments and medical societies have devised schemes for bringing medical care within the reach of low-income families, but it is true, nevertheless, that the medical care they receive is not adequate. On the other hand, the medical needs of these families are, by definition, more pressing than those of the population at large: illness among them is more common and they include a large proportion of young children and old people with the medical needs characteristic of these groups. We believe that it is both necessary and possible to work out under the social-security system a comprehensive scheme by which the Federal Government, in cooperation with States and localities, can offer medical care systematically in forms best suited to the needs of low-income families, following the most successful practices already devised in the various States and localities. Special attention needs to be given to enlarging the preventive and therapeutic care for children through school and clinic programs, and for applying systematically the accumulating knowledge in the science of geriatrics to increase the scope and improve the quality of medical care available to older people.

(c) *We urge the subcommittee to endorse means to expand the supply of medical personnel and medical facilities.*—It is now well established that we will soon reach the limits of the ability of the medical profession to provide medical care with its present personnel and facilities. There is already a shortage of hospital beds. Growing population and expanding use of medical care will lead to an acute shortage of doctors, dentists, nurses, and clinical and hospital facilities within a few years. This is a long-term program which is long overdue if we are not to find ourselves with an acute shortage of medical services a decade from now.

4. *Good education*

No characteristic of poverty has been better documented in its relation to low educational achievement, both as cause and effect. To some extent this is because so often children of low-income families are forced to leave school early in order to help support the family. But to some extent it is an effect of the quality of the educational system itself which in many places of concentrated low-income population is most in need of repair. The poorest schools are found in the poorest communities, urban and rural.

(a) *We urge the subcommittee to endorse a program of Federal aid to education on a large scale.*—It is now established that there is a large and growing backlog of need for school facilities which the State and local governments cannot meet unaided. A number of proposals for Federal aid are pending before the Congress, but none of those under consideration is adequate to meet the backlog of need and keep pace with the growing demands. It is demonstrable that \$2 billion a year of Federal aid would scarcely meet the most urgent requirements. Anything less would be woefully inadequate.

(b) *We urge the subcommittee to endorse a system of Federal grants to help raise teachers' salaries.*—There is a teacher shortage today. Those school systems that can pay the best salaries get the teachers. The poorer communities would be better able to attract teachers if they had Federal assistance. At the same time, higher salaries would encourage more persons to qualify and enter the teaching profession.

5. *Opportunities for employment*

A sizable and identifiable fraction of low-income families are located in areas of depressed industrial or agricultural opportunity, and their low-income status arises primarily from their inability to find suitable employment. This situation has been recognized, studied, documented, and talked about for more than 20 years. For some years it was impossible to say how much the situation might be relieved by a prolonged period of high-level employment which might both bring employment opportunities to the areas and offer alternative employment for those who could migrate elsewhere. We know now that this problem still persists on a sizable scale after a decade of full employment. After many approaches to this problem it seems safe to say now that it can be dealt with only by moving employment opportunities into these areas or moving the people out, or a combination of the two.

(a) *We urge the subcommittee to endorse a comprehensive and energetic plan for raising the standards of families stranded in depressed areas.*—Since these problems are so stubborn and so complex, we do not undertake to say what such a plan should include. However, it seems clear to us that it must contain elements of two approaches: One to the welfare of the people of the area; and another to the economic problems of the area. The first would include many of the measures we have suggested above, in concentrated form, to raise the level of community services, alleviate want, and prepare the employable members of low-income families to take advantage of developing employment opportunities. The second clearly must go far beyond any efforts made in the past. The efforts to channel Government business and to set up piecemeal projects have not solved this residual problem. It is clear to us that the Government must take the initiative to induce a flow of private capital or supply capital itself to build up employment opportunities. As a last resort, where employment cannot be provided (as in areas of unproductive land or exhausted natural resources), we may have to look upon these stranded families as refugees from poverty and undertake extensive and expensive programs to resettle and retrain them in areas of economic growth. We believe that no more challenging question than this confronts your subcommittee.

6. *Public assistance and social security*

After all measures of rehabilitation have been taken, there still remain problems of pure dependency—the lack of ablebodied employable members to support the families even where employment opportunities are available, people too old or too sick or otherwise not able to work. These are the business of our welfare programs and it is plain that in spite of all the progress of 20 years these programs are not adequate. It is particularly true that in most States public-assistance grants under Federal-State and State programs are disgracefully low and in many cases condemn their recipients to hopeless poverty. There is no reason why these conditions should be tolerated in a country as rich and prosperous as this.

(a) *We urge the subcommittee to endorse a general increase in the scope and amounts of Federal-State grants for public assistance to levels that will assure the recipients a minimum standard of health and decency.*—These grants affect mainly two classes of dependents: the very old and the very young. Old-age assistance grants should be available to all people too old to support themselves on a scale sufficient to keep them at a minimum level of comfort. The grants to aid dependent children should be—as they were originally intended—sufficient to permit children to grow up in healthy, decent surroundings. This is not generally true today. In addition, assistance should be available to families who do not qualify for these two types of grants but which are dependent because of the incapacity of the normal wage earner. We believe no single measure immediately available could do as much to relieve want as the extension and increase of our public-assistance system.

(b) *We urge the subcommittee to endorse an increase in the scope and scale of old-age and survivors' insurance.*—In many cases the benefits earned under the old-age and survivors' insurance program are insufficient to maintain pensioners at a decent level of living. There are two steps which can be taken immediately to improve the system (in addition to providing benefits for permanent and total disability). One is to revise the benefit formula to increase the size of benefits, making them more nearly commensurate with the pensioners established level of living; the other is to lower the benefit age of women from 65 to 60 years old. As a companion measure the maximum taxable wage should be raised from \$4,200 to \$6,000 in recognition of the higher earnings of wage and salaried workers.

We believe the country can afford to provide programs like these without further delay. The cost of them, though it would be substantial, would be only a minor fraction of the amount by which our national production grows each year. Moreover, many of the measures of the kinds we have suggested will add to the Nation's production, in short run or long, and represent investment in our soundest asset—our people. We do not believe this unfinished business of prosperity can or should wait on the reduction of other Government expenditures, particularly of national security expenditures. The outlook for reducing these now appears uncertain and remote. Neither do we believe these programs should have to yield priority to a general reduction of tax revenues. As we have said, we believe the needs of the low-income families are more pressing.

We should appreciate your courtesy in making this statement part of your record.

Respectfully and sincerely yours,

EDWARD D. HOLLANDER,

National Director, Americans for Democratic Action.

Senator SPARKMAN. This brings to an end this phase of our hearings. I think they have been helpful discussions. Of course, we always feel a sense of inadequacy when we come to the end, because there is so much more that could be said, but I think it will serve as a basis for this subcommittee to make its recommendations to the full committee, and I am hopeful we may be able to get out a good report and some good recommendations. You who are with us this morning certainly have made a fine contribution to what our overall result may be. Thank you very much.

The subcommittee stands in adjournment.

(The following letters were subsequently furnished for the record :)

TEXTILE WORKERS UNION OF AMERICA,
New York, N. Y., November 25, 1955.

Senator JOHN W. SPARKMAN,
Senate Office Building, Washington, D. C.

DEAR SENATOR SPARKMAN : I appreciated the opportunity to appear before you. Several comments may help elucidate some of the issues developed before you by the witnesses.

1. Most of the witnesses testifying on the issues of urban redevelopment offered suggestions designed to secure immediate help. Programs for Government contracts, or loans for building industrial parks seek to overcome these setbacks. They are not permanent solutions for chronically distressed areas. Single industries, communities, or areas formerly dependent upon textiles or mining, or similarly contracting industries need more fundamental long-term aid.

This conclusion is supported by the New England and Scranton experience. Lowell has an industrial park which has brought some new industries but the volume is not of such magnitude as to elevate the community from the distressed category. New England boasts of more industrial parks than any other region; yet we still recognize it as one containing the largest number of truly distressed communities.

Scranton and the Pennsylvania mining communities have local developmental corporations but they are not sufficient radically to change their position.

Short-run programs which some communities can themselves handle are satisfactory for overcoming minor, but not fundamental losses in employment. Communities like Toledo, Ohio, found them productive because it already enjoys advantages such as several expanding industries, sound labor relations, a promising port, and growing machine and automotive industries. Its problem was to overcome the loss of employments due to the closing of plants operated by the minor automobile manufacturers. It has profitably used its developmental organization.

Textile, mining, and other permanently distressed communities require long-range reconstruction programs designed to create new locational advantages and a new nucleus for growth. The construction of industrial parks and the acceptance of marginal concerns seeking bargain priced factory floorspace and labor are not permanent answers for their problems. They require assistance for economic rehabilitation and reconstruction.

This distinction between communities which need short-term programs solely, and those which require both short- and long-term programs must be clearly established to formulate the proper program for a community. Most of the thought in this area has been focused on the short-term programs, whereas the truly chronically distressed areas need long-term ones.

Many witnesses insisted upon designing programs individually for each community. It is evident from the testimony that the programs for short-term aid can be relatively standard and offered widely in almost a packaged form. The individual designs are most needed for long-term programs of reconstruction. Even in such cases, they can consist of many common elements.

Long-term programs can be best developed by local areas with the assistance of Federal and State governmental agencies. Private consultants are useful primarily as counselors for aiding local communities in setting up development corporations and acting as brokers for soliciting businesses for potential plant locations. They are not the proper people to guide long-term rehabilitation projects.

2. In reviewing the proposals for distressed urban areas may I list those which I would approve :

- (a) Inventory and analysis of local area.
- (b) Federal grants-in-aid for research and study.
- (c) Financial assistance or grants for public works and new public services.
- (d) Financial assistance for diversifying and improving the products and capacity of older industries.
- (e) Extension of unemployment insurance for 26 weeks.
- (f) Federal intermediate credit agency.
- (g) Industrial community-slum clearance.
- (h) Employer training and retraining.

- (i) Federal aid in worker transfers.
- (j) Federal supplemental relief and food surpluses.
- (k) Preference in Government contracts.
- (l) Elimination of tax exemption to local government bonds issued for private business.
- (m) Elimination of local tax exemptions to new industries.
- (n) Advancing of the retirement age under the OASI of persons in distressed communities or laid off by shrinking industries.
- (o) Use of public funds for loans to local developmental agencies.

In its present form, the provision for accelerated depreciation has proven to be of minor significance. Current liberal depreciation provisions in our tax law have further minimized their effectiveness.

3. Areas such as northern and eastern New England, Mohawk Valley, and the upper Hudson Valley in New York require long-term developmental boards prepared to create new locational advantages. New England must explore the opportunities by multiple-purpose area development, reconstruction of harbor and transportation facilities, and the contiguity to Canada and the university and scientific resources in the area.

4. Proposals that pensions be vested after a short period of service with a company are sound. Unfortunately, the industries which are currently declining and precipitating current distressed communities are among those in which there are few pension programs.

5. Carryback privileges under present tax laws should not be extended to companies which utilize them for mergers thereby accelerating the process of plant abandonment.

6. A Federal program must be staffed with experts ready to aid communities and groups of communities in their rehabilitation programs.

7. Communities in distress should not join in the conspiracy of silence. Such a program is both impractical and unprofitable. They will only secure help if they demand it. The human suffering does not permit of any squeamishness about publicizing the community's needs.

8. Miss Reid's reminder on the rise in our standards is hardly pertinent since we are still concerned with the very groups which were considered substandard in the thirties.

9. The United States Department of Labor's report largely concerns itself with a number of prospective modest studies rather than a recital of steps actually taken to relieve distress.

10. Federal leadership and financial assistance are needed to aid and stimulate and guide local communities and areas into positive action.

Please include a copy of this letter in the record of the hearings.

Very truly yours,

SOLOMON BARKIN.

AMERICANS FOR DEMOCRATIC ACTION,
NATIONAL BUSINESSMEN'S COUNCIL,
Washington, D. C., November 25, 1955.

HON. PAUL H. DOUGLAS,
Chairman, Joint Committee on the Economic Report,
Senate Office Building, Washington, D. C.

DEAR SENATOR DOUGLAS: The Businessmen's Council of Americans for Democratic Action has followed with great interest and concern the hearings of Senator Sparkman's subcommittee on the alarming extent of poverty in the United States in these prosperous times. As citizens, we share the shame that one-fifth of our American families have incomes too small to permit them to maintain even a minimum American standard of health and decency, while the families at the top of the income scale are becoming more numerous and more prosperous. We see in this large depressed group in the United States not only a source of injustice and acute want but also a huge loss of production for the American economy and markets for American business.

The Businessmen's Council is a group of businessmen who adhere to the general principles of Americans for Democratic Action because they are convinced that in the long run these principles will benefit them as businessmen as well as citizens. As businessmen, we recognize that what is bad for the country is bad for business. We have viewed with concern what we consider the short-sighted policies of the businessmen in high places in the present administration favoring big business and high-income groups at the expense of small business

and the mass of consumers. We are shocked to find that since 1952 the number of high-income families has greatly increased and that they are receiving a larger share of the Nation's income, while the number and condition of very low-income families has not improved. This is a reversal of a trend which has been evident in the United States for many years toward a more equitable distribution of income under which great progress was made toward ironing out the great differences between the very rich and the very poor. That these differences are now becoming greater again is the inevitable consequence of tax policies and other economic policies of the present administration favoring big business and big income. We believe this is not only inequitable but that such policies if long pursued will have consequences disastrous for the economy and for business.

The official figures reveal that in 1954 about 30 million people in our country were living at or below the poverty line in this period of prosperity and full employment.

Moreover, both as producers and as consumers, these people are participating only fractionally in our economy. As consumers, they are forced to spend an unreasonably large part—60 or 70 percent—of their small incomes for the day-to-day necessities of food and shelter and have little left of purchasing power. They buy the cheapest of food and housing which is not adequate to their needs, and they are virtually no market for purchases of any other kind.

As producers, they are disadvantaged by poor health, inferior education, inadequate training, inadequate employment opportunities, and immobility. They are a poor source of employees in an expanding labor market. Worse still, because of their circumstances, their children, perhaps to the number of 10 million, are similarly disadvantaged, and many will find it difficult or impossible to rise above these disabilities. Thus, we have here a recurring, self-perpetuating weakness in our labor force and a consequent waste of potentially productive manpower.

As businessmen, we recognize our dependence on a steadily growing, expanding economy. The presence of one-fifth of our population which is economically deadweight is a continuing drag working against economic progress.

For example, we note in the official statistics the difference in purchasing power and expenditures between economically substandard city families and the average wage and salaried worker in the purchase of commodities and services which we, as businessmen, are in business to provide.

If the substandard city families had incomes equal to the average of other wage and salaried workers, their expenditures for food would increase by more than \$3 billion per year, their expenditures for housing by about \$2 billion, and their expenditures for other goods and services by nearly \$10 billion. This is an enormous potential market loss to business. The total increase in purchasing power that would result from raising these families' incomes to the average would be equal to a whole year's growth in our national production at normal rates, equal to one-fourth of the Federal budget, equal to one-half the total expenditures of all State and local governments combined, equal to 1½ times the annual expenditures on new and used automobiles in the United States. These are only the direct additions to consumption and production that would result, not taking account of the secondary stimulating effects on the economy.

As businessmen, we are particularly concerned about the loss of purchasing power for goods and services other than basic food and shelter. This is a big unrealized market for goods and services which business is able and intensely eager to provide, for which there is a demonstrated need and demand, but no market because there is inadequate power to purchase.

We are convinced believers in the necessity for full employment as the basis of continued prosperity and sustained growth of our economy. But full employment alone, it seems, will not make these people full participants in our economy, either as producers or as consumers. Therefore special programs seem to be necessary.

To increase the productivity of low-income people, programs of assistance are required for depressed agricultural and industrial areas including economic development, technical assistance, preferential Government procurement, retraining, business, farm and personal credit, and relocation if necessary. Similarly, programs of health, education, vocational rehabilitation are necessary to make individuals more productive and more prosperous workers.

But not all of the submerged families and individuals can participate fully as producers. Some are too old, others too ill, many are children who can be prepared for future participation. Nevertheless, all are entitled to participate as citizens and consumers, at least, to the extent of a minimum standard of health and decency. For this purpose a variety of public programs are required—such as, raising the food consumption through school feeding pro-

grams and possibly a food-stamp plan, Government aid to health and housing, more adequate and more comprehensive programs of social security and public welfare.

As businessmen we paid to the Federal Government a huge tax bill—more than \$20 billion of corporate income taxes alone, plus excise taxes, unemployment insurance taxes, social-security taxes, and others. In return we expect the Government to manage its affairs in such a way as to maximize and stabilize the Nation's production and consumption. We know that what is good for the country is good for business and we do not believe it is good for the country to permit something like one-fifth or one-sixth of our population to remain permanently below the standard of American living. The progress we have made in the past 20 years is measured by the difference between the "one-third of a nation ill-fed, ill-clothed, and ill-housed" that challenged Franklin D. Roosevelt and the one-fifth that challenges us now. We must get on with this urgent unfinished business of democracy. We hope that your committee will make recommendations which will permit tangible progress to be made in this direction in the visible future.

Respectfully yours,

LOUIS LUBIN,
Chairman, ADA Businessmen's Council.

(Mr. Graham's complete statement follows:)

HELP NEEDED FOR AMERICA'S DEPRESSED FARMWORKERS

By Frank P. Graham, chairman, National Sharecroppers Fund., Inc.,
New York, N. Y.

The National Sharecroppers Fund grew out of the concern of a group of public-spirited men and women throughout the country for the people living in great poverty and without security who worked on southern farms. As chairman of the fund, I appreciate the opportunity to present this paper prepared by the staff of the Sharecroppers Fund before your committee. The Sharecroppers Fund is familiar with the admirable work which your committee has done in the past and knows that this current study of low-income families in our society will undoubtedly lead to corrective legislative action.

What I have to present, Mr. Chairman, relates to the several million sharecroppers, tenants, and hired farmworkers who live and work on the farms of the South and the Southwest. We are concerned also with the welfare of the many thousands of migratory farmworkers who take to the road because they cannot make a living in the place they came from.

The burden of what I have to present is that the American people and their Government should define the nature of the problems of these people, should make an adequate plan and then go about it to solve the problems realistically.

A first step is to recognize that the United States has great areas where rural poverty is the rule rather than the exception. In some cases the explanation lies in the character of the land. In other good land areas, the plantation system reserves profits from land cultivation to a very small percentage of the population. While programs for individual farm families are necessary in these or any areas, this is not enough. A coordinated attack upon the educational, health, and economic problems of these areas is necessary. As the general level of income rises in the South, these areas do not share proportionately in the improvement. Something special is needed. It is not enough to leave these areas to automatic economic processes. The Sharecroppers Fund was pleased to note that the Family Farm Development Act, S. 1199, introduced by Senator Sparkman on February 23, 1955, recognizes the importance of defining these low-income farm areas and concentrating on their needs.

This unbelievable poverty of rural farm people exists in many Southern States. It exists on the sugarcane plantations of Louisiana and on the cotton plantations of Arkansas. It exists in areas from California to Florida where fruits and vegetables are profitable crops to the owners of large corporation farms, but which yield low and uncertain wages to those who do the actual planting, cultivating, and harvesting.

The Sharecroppers Fund believes that the existence of these pools of rural poverty is one of the principal reasons why hired farmworkers, local or migratory, suffer from the lowest labor standards in the United States. Migratory farmworkers are for the most part refugees from low income farm areas. Refugees can rarely dictate the terms of their employment. Also as a labor force they

suffer from the cumulative health and educational effects of the poverty which exists in the areas from which they come.

In addition to the job disadvantages inherent in their background and community situation, the job opportunities of farmworkers are being diminished by the increased employment of foreign contract labor from Mexico and the Caribbean. These foreign workers are also refugees from pools of rural poverty. A chain reaction is being set up. As contract workers are brought in from other countries, low-income farm families, especially Negroes and Americans of Mexican background in the Southwest, unable to compete, must take to the road to other States to find opportunity.

This program of steady importation into the United States of foreign workers under contract is an extraordinary feature of American agriculture. The contracting system was first introduced during the war as an emergency measure. Since the United States had 15 million men under arms, it might seem reasonable to expect that a shortage of labor would arise in the worst-paid areas of American production. But throughout the war, the number of Mexican nationals in this country under contract never exceeded 100,000, according to the Department of Agriculture's figures.

The Department of Agriculture, under whose jurisdiction the wartime program was placed, worked through organizations of employers to place these contract workers. Although representatives of the employers advised the Department on the planning of this program, the workers themselves—neither American nor foreign—had a voice in the program.

Not only was this contract system for importing foreign farmworkers not terminated with the end of the war, but it was stepped up. Now under the direction of the Department of Labor, the number of imported workers has steadily increased until it more than tripled in 1954 when over 300,000 contract workers from Mexico were employed on United States farms.

In the South there is a peculiar irony that southern Negroes whose historical relation to the land has been their main job opportunity, are being supplanted in some instances by foreign contract labor. The "supplanting" is not always obvious because indirect. In the House hearings in March 1955 on the Mexican farm labor program,¹ the President of the Arkansas Farm Bureau, Mr. Max Miller, testified that Arkansas is the third largest employer of Mexican contract labor, and that the Mexicans work almost exclusively in cotton. Most of the domestic workers employed are brought in by day haul from Memphis.

Mr. Miller testified that the wage paid the Mexicans was 50 cents an hour. After questioning, Mr. Miller repeated: "For the tractor drivers and skilled operators, that is the wage rate of 50 cents. Other labor goes from \$2 to \$3 up to \$5 per day depending on the scarcity of labor. That is what makes the price go up always." Under further questioning Mr. Miller said that labor was sometimes paid 40 cents an hour, "then the labor gets scarce and then it goes up." As Mr. Miller concluded his testimony, he was asked why there was such a labor shortage in Arkansas, since their cotton acreage had been cut of late years. Mr. Miller said, "I cannot answer that. They have gone." Congressman Hagen, of California, said, "I just wanted to say this, Mr. Miller, we get a lot of your people in California, even now, that come out there to pick cotton. The price is a little bit higher out there."

This Arkansas Delta situation illustrates a trend which should receive much more attention. As mechanization has reduced the number of sharecroppers on plantations, dispossessed people have been forced to migrate, many of them taking refuge in the slums around cities. Here they pick up a precarious living dividing their efforts between low-paid city jobs and day-haul seasonal agricultural work. This unguided, unassisted migration resulting from mechanical "progress" is a blot on our record of social responsibility.

A coordinated attack upon the problems of low-income farm areas calls for variations in approach according to the character of the area. Improved tenure practices, supervised credit, suitable educational facilities for all ages, general and vocational, and health programs should be planned for with the participation of the people concerned. But even the most intelligent program in a low-income area will collapse if Federal policy permits farm prices to collapse or farm income to be undermined in other ways. The current trend toward lower and lower levels of farm income will liquidate any program designed to increase the efficiency and well-being of low-income farm families.

¹ Hearings before the Subcommittee on Equipment, Supplies, and Manpower, of the Committee on Agriculture, House of Representatives, 84th Cong., 1st sess., on H. R. 3822, March 16, 17, 21, and 22, 1955, pp. 78-84.

In summary then, these are some of the overall things that need doing:

1. A resolute, focused, and all-out attack upon rural poverty in the specific areas where it is the dominant fact. Senator Sparkman's family farm development, S. 1199, is an admirable synthesis of some of the specific programs needed.

2. A vocational-education program in low-income farm areas which prepares boys and girls both to stay and to migrate. Studies in Michigan and on the Atlantic seaboard² show that migratory farmworkers are young for the most part. This indicates lack of opportunity for young farm adults at their points of origin. They must take to the road without the armor of education or the support of society with respect to farm labor standards.

3. A united attack by Federal and State Governments to do what can be done within the law to provide justice and social protection for farm labor. The President's Committee on Migratory Labor has taken excellent first steps in this direction.

4. A thorough study of the relationship between the foreign contract labor program and domestic farm employment. This study should coordinate what has been learned through Government studies and through the research projects of universities and private agencies.

5. A national farm policy which stabilizes farm income. This is essential not only to make it possible for sharecroppers, tenants, and low-income farm operators to succeed but also to develop good farm employers. The reluctance of many farm employers to pay good wages arises from assorted reasons, but the reluctance is certainly compounded by wild swings of farm prices and ever-rising costs.

Stabilization of farm income from perishables as well as basic crops is especially important for farm labor because so large a proportion of seasonal farmworkers are employed in fruit and vegetable operations.

Programs for stabilization of farm prices should be linked with compliance with farm labor standards.

Mr. Chairman, it is a paradox of our time that in the land overflowing with plenty—with Americans all over the country riding in two-color, chrome-encased automobiles, with ever larger and more modern refrigerators and freezers in more homes, and with evidences of luxury unsurpassed all around us—that over 1 million Americans do not have enough to eat; cannot properly clothe their children; do not have decent homes, or health facilities, or adequate educational opportunities.

A few concrete legislative steps to benefit farm people who are at the bottom of America's economic ladder follow:

1. Extension of the provisions of the Fair Labor Standards Act (where they can be applied) to agricultural workers on farms where four or more workers are employed during any calendar quarter year.

2. Extension of unemployment insurance benefits to agricultural workers. Elimination of remaining exemptions in old-age and survivors' insurance for agricultural workers.

3. Removal of the exemption applying to agricultural workers from the Labor Management Relations Act, and extension of the right to organize and bargain with employers. This should apply to all agricultural processing industries as well which are now exempt.

4. An amendment to Public Law 78 (governing the importation of foreign contract labor), stipulating that the Secretary of Labor hold public hearings to determine the need for the importation of foreign workers, the prevailing wage to be paid, and to provide that the same benefits offered to the foreign workers be offered to domestic workers prior to the approval of importing foreign workers.

5. Penalizing persons who knowingly employ or transport illegal aliens for employment on farms or in industry.

I want to thank you, Mr. Chairman, for this opportunity of presenting the views of the National Sharecroppers Fund before this subcommittee on this important, unsolved problem of our economy.

(Whereupon, at 12:30 p. m., the subcommittee adjourned.)

² Reports of Michigan Farm Employment Security Commission, and Migratory Farm Workers on the Atlantic Coast Stream—A Study in the Belle Glade Area of Florida, by William H. Metzler, Circular No. 966, U. S. Department of Agriculture.