

UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

For Release in A.M. Papers
Monday, September 20, 1965

Address by Secretary of Commerce John T. Connor Prepared For
Delivery Before the Missouri Good Roads Association at
Ceremonies Celebrating the Completion of the Missouri
Segment of Interstate Highway 70, Holiday Inn,
Columbia, Missouri, 8 P.M. Sunday, September
19, 1965

It is an honor and a pleasure for me to join you in observing an historic accomplishment with so much significance for the people of Missouri and the nation.

I think Governor Warren Hearnes and Mr. Fred Hughes and his colleagues in the Missouri Good Roads Association deserve our appreciation for this occasion they so appropriately arranged.

It is most fitting that we should meet during National Highway Week in the middle of Missouri and the middle of America to commemorate the completion of a major central link in the nationwide Interstate Highway System. And this at the midpoint in the construction of this system, for shortly we shall have open half of the 41,000 miles of Interstate freeways that promise to bring a new era in highway transportation.

I won't dwell on middleness any longer, though, lest I find myself in the middle of a middle-of-the-road speech.

But I do want to mention one special reason why I am happy to be here in Missouri today. You see, I have heard a lot about Missouri and its highways from Rex Whitton, our Federal Highway Administrator. Whenever Rex is looking for an example to illustrate a point about highways he likes to

refer back to his many years of experience here. And he has been telling me what a good job Marv Snider and the Missouri Highway Department are doing.

So, I thought I would be a Missourian for a day and just let you show me.

Well, you have. And you have every right to be proud of what you have accomplished.

Four decades ago this highway we call Interstate 70 was just being paved for the first time, after having served in bygone years as a major trail for westbound settlers. As U.S. Route 40 it served an increasingly motorized State and Nation, until it could no longer meet the needs of an ever-more-mobile people. And now, in less than a decade you have transformed this once-venerable wagon trail into a modern, high-speed, dual-lane thoroughfare—one of the Main Streets of the future America.

The scope of this transformation is indeed impressive. Eighty of the 252 miles of I-70 from the Mississippi to the Kaw are on new location. The route crosses the Missouri River twice, and has 46 bridges in all. It has 109 interchanges, 21 separation structures for highway crossings, and 12 for railway crossings. It has cost more than one-quarter of a billion dollars to build Interstate 70 through Missouri--\$277,140,623, to date.

But, of course, your State Highway Department didn't just drop everything else to work on I-70. Before the end of the year I-44--the old Route 66--will also be a fully divided highway from Joplin to St. Louis.

From 1956, when the accelerated Interstate construction program got started, until July 1, Missouri put \$651 million to work on Interstate projects either completed or underway. You now have 665 miles of your total 1,120 Interstate miles open to traffic, and another 100 miles under construction. So, with 59 percent of your mileage open, you are ahead of the national average.

In that same nine years, I should add, you have put another \$529 million to work on Federal-aid primary and secondary roads with regular Federal-State matching funds.

I am sure you can cite many examples of what this investment is doing for Missouri--of how it makes travel faster, safer, more economical, and stimulates economic growth. I-70, for example, cuts driving time between St. Louis and Kansas City to about four hours--roughly a 20 percent reduction from the old highway. At the same time, it has increased the route's capacity. Traffic counts show this highway is handling volumes that range from nearly 5,000 vehicles a day in the most rural area to 80,000 a day in St. Louis.

And then there is the enormous bonus in safety. Missouri's latest Interstate Highway accident study showed a striking comparison: A rate of 3.7 deaths per 100 million vehicle miles on your Interstate routes compared with a rate of 12.0 on the existing highways before the Interstate was opened. Accident and injury rates also were cut to a third or a fourth of what they had been.

So, you are accomplishing much in your highway program, and I know you will continue to do so.

Such a record of achievement gives real meaning to President Johnson's proclamation of National Highway Week "in recognition of the importance of highway transportation to the social and economic progress and defense of our Nation."

When Congress set up the 16-year program for building the Interstate System, and for Federal financing of 90 percent of the cost, President Johnson was Senate Majority Leader. He said at that time, in July, 1956, "Evidence is mounting daily that the Federal-Aid Highway Act recently enacted by the Congress is one of the most far-reaching legislative measures ever to come out of this body."

"New highways always result in the establishment of new businesses. Intensive industrial and commercial development accompanies the construction of controlled-access highways, such as those that will comprise a large part of the completed Interstate System.

"We cannot depend on the roads of yesterday to carry the motor traffic of today and tomorrow. Fortunately, we have a highway construction industry capable of carrying out this expanded program--promptly, efficiently, economically. We have in my own State--and I know in other States--a highway department that understands how to get the job done. We are on our way with a king-sized road construction program that will benefit all the people of the United States."

Interestingly enough, within weeks of that statement the first Interstate construction contract was let for Interstate 70 in St. Charles County, Missouri. And not surprisingly, to those who know him, the chief engineer who was ready and eager to get on with that job was Rex M. Whitton.

This is the first highway dedication I have participated in since I became Secretary of Commerce, and I think it's most appropriate that the ceremony is for a highway in Missouri. Rex Whitton was born and educated in Missouri, and began his professional career in the Missouri State Highway Department 45 years ago. I might add that he literally got in on the ground level, as a member of a survey party. It was also in Missouri that he met his wife, Callie Maud.

The qualities of character and intellect that Rex Whitton has drawn from the soil of Missouri have served him well in his present job as Federal Highway Administrator. They have also served the nation well. Coordinating this vast, national undertaking demands common sense, hard knowledge, the ability to reason together with other people, and a certain amount of sincere skepticism. Rex Whitton brought just the right balance

of these qualities from Missouri to the Nation's Capital, and the Interstate Highway System is all the better for it.

Rex Whitton's career, spanning State and Federal service, reminds us of the real key to the success of the Federal-aid highway program, and that is State and Federal cooperation. As President Johnson has put it: "Today, as never before, the Federal, State and local governments are working together to meet the highway needs of this Nation on wheels."

This partnership of governments embarked on the largest peacetime public works program in history nine years ago. Let us take this occasion to see how far we have come.

Since 1956, Interstate work costing \$23.3 billion has been completed or undertaken, with the Federal government paying 90 percent. Some 19,729 miles of the Interstate System now are open to traffic. Another 6,210 miles are under construction and about 11,678 miles are in the engineering and right-of-way stage. So, according to most measures that can be used, the Interstate program is on schedule.

During this same period, since 1956, progress also has been made on improving our primary and secondary roads--that is, our basic highway network on which Federal aid is on a 50-50 matching basis. Improvement or new construction has been completed or undertaken on 208,000 miles of the primary and secondary systems, at a total cost of nearly \$19 billion.

Think of where we would be, for instance, if we had not put \$42 billion into Federal-aid highways since 1956! During these nine years of accelerated construction, the number of licensed drivers has increased 30 percent, the number of vehicles 38 percent, and the vehicle mileage 38 1/2 percent.

The outlook for the coming decade is equally impressive. Today we have 100 million drivers and 90 million vehicles, traveling 870 billion

vehicle miles a year. In 1975, it is predicted we will have over 125 million drivers and 116 million vehicles, traveling more than a trillion miles a year.

It is obvious that we must think big if we are to meet our responsibilities for the Nation's economic and social progress. We need not be timid in this task, for our highways are part of the fabric of a dynamic and powerful economy. It is an economy powered by research, by technological progress, by innovations in marketing and distribution, and by free and vigorous competition.

It has a giant's strength. The new thing is that we are learning better how to utilize and balance that power, so that we can move forward with sustained speed and drive.

It is an economy that meshes together all the productive elements of our society--business, labor, the professions, agriculture and government--in a dynamic balance of forces. To operate at maximum efficiency, this economy must have a first-rate transportation system, and I think it will have, because it has the ability, the resources and the will to meet its needs.

I have been talking about how highway improvements serve the Nation, but there are many direct benefits accruing to the individual highway user. These are the savings in travel time, in operating costs, in accident costs, and in comfort and convenience that mean dollars and cents to the motorist or the trucker.

It has been estimated by the Bureau of Public Roads that these benefits resulting from use of the Interstate System now open to traffic will save the users \$3.4 billion during 1965. And that is more than the Federal and State governments are spending on the Interstate this year.

What is more, the Bureau's study indicates that user benefits will total \$11 billion annually after the Interstate System is fully open. At this rate, users would recapture their entire investment in the system--which is expected to cost \$46.8 billion--in a short period of years.

It is evident that highway users, who pay for highway improvements through special taxes, derive substantial dividends in direct benefits.

But an even more important benefit is the saving in lives and disabling injuries. Studies show that the Interstate Highways are two to three times safer than conventional roads. They show that this year alone 3,500 persons will survive who would have been killed if they had been forced to travel on conventional roads. It is estimated that 8,000 lives a year will be saved when the entire system is completed. So, for every five miles that are completed on the Interstate, we will save, on the average, one more life a year.

The importance of this safety dividend cannot be overstated. The recent increases in our traffic death toll have shocked many Americans and have prompted justifiable demands that more be done to reduce this intolerable waste of our human resources. The record loss of 47,700 lives in traffic accidents last year and the prospect of even more deaths this year speak for themselves with compelling urgency.

There is, of course, no single answer to our traffic safety problem. But some of the most productive approaches lie within the scope of the highway engineer. And I want to commend the engineers for doing something about safety, while many others just talk about it. The Interstate System is the best illustration of how safety can be engineered into a highway, to help all drivers avoid accidents.

Following the same approach, much can be done to rebuild more safety into our less modern roads. We need to make a really substantial effort to apply the knowledge we already have to eliminate the hazards that jeopardize the motorist on our existing roads.

As you may know, I have orders from President Johnson to encourage and assist the State and local governments in this undertaking through the

Federal-aid highway program. About 350 such spot improvement projects have been initiated nationally since this program was launched in April, 1964. But we need to double and redouble our efforts, in view of the proven value of these improvements in reducing accidents.

Missouri, I am happy to report, topped all the States in the number of projects scheduled during the first year of the program, with 28 projects at a total estimated cost of \$ 2 million.

Meanwhile, we must look for new answers to the safety problem, and the Bureau of Public Roads is now engaged in an expanded safety research and development program, the objective of which is to find new ways to help all drivers in this demanding job of operating a motor vehicle safely. The Bureau is seeking the cooperation of all the States in applying some of their Federal-aid research and planning funds to this endeavor.

Highway safety is, of course, primarily a State responsibility. Congress recently expressed its desire that all States adopt comprehensive safety programs, and designated the Secretary of Commerce to formulate standards for such programs. I am confident that all States share the concern of Congress over improving our safety record, and I look forward to cooperating with Missouri and the other States in this effort.

The increasing preoccupation with highway safety is an indication of the pre-eminent role of the motor vehicle in our lives, as individuals and as a Nation.

We spend a sizeable part of our daily lives on the road. Just consider these facts: 82 percent of commuting workers use automobiles as their means of transport; 82 percent of vacationers use their own car for transportation; 89 percent of all travelers use automobiles for out-of-town trips; 78 percent of all families own automobiles, and 23 percent of these have more than one automobile.

In addition to our dependence on highways for transportation, a large number of us depend on them for a livelihood. Highway transportation accounts for one of every six businesses and one of every seven jobs in the United States.

Along with the awareness of the vital role of highway transportation have come changing concepts of how highways can best serve the nation's economic and social interests.

Highway engineers are responding to these changes. While still recognizing that the basic function of our roads and streets is the transportation of people and goods, they are giving increased attention to the aesthetic, cultural, historical, recreational and social values so important to our way of life.

The fact is that much of what we see of our country we see from the highway. Recognition of this led President Johnson to initiate his highway beautification program. It is obvious from the warm response to his program throughout the country that many persons are concerned about the ugliness that too often blights our roadsides, and they welcome the President's leadership.

By carrying out his program we can do much to restore, preserve and enhance the natural beauty of our country. We can provide attractive landscaping, control billboards, screen or remove junkyards and other unsightly areas, and add new rest areas and scenic viewpoints along our major highways.

The support highway builders have given this program is most gratifying. On Missouri's Interstate 70, for instance, two landscaping projects have been completed, one in St. Louis and one in Kansas City, and another is now underway in Jackson County. And I understand that Missouri has more than 30 Interstate rest areas now in planning, with some under construction.

Related to this effort to make the time we spend on highways more pleasant and more rewarding is the growing interest in scenic and recreational roads. After all, driving for pleasure is America's favorite form of outdoor recreation. It accounts for 34 percent of all automobile travel.

To find ways to meet the desires of our people for better access to scenic and recreational areas and more enjoyable motoring, a Scenic Roads and Parkways study now is being completed in the Department of Commerce. It will soon be submitted to the Recreation Advisory Council, which is a cabinet-level group reporting to the President, and may form the basis for legislative recommendations next year.

This study is bringing together the proposals of each of the States and blending them into a potential national program.

I stressed earlier the vital contribution of Federal-State-local cooperation in meeting the challenges of highway transportation. Cooperation has been and continues to be a prime requirement in providing this Nation with the best highways in the world. It is a key element in solving the problems of highway safety, and of our congested urban areas. It enables us to satisfy the public desire for highway beautification and for recreational and scenic roads. And cooperation is just as essential in planning ahead for the future of highway transportation.

Even today, while we are engaged in an unprecedented roadbuilding program, we must look to the years beyond the completion of the Interstate System. Our dynamic society, and our equally dynamic economy, will not stand still. To fail to anticipate our needs would be an invitation to economic chaos and disaster.

In planning for the future we must consider every possible mode of conveyance of people and goods, particularly in our urban areas. Highways must

be viewed as part of the total transportation system. But while they are not the sole answer, they undoubtedly will continue to fill the major role in serving our total needs.

It is important that we get together at all levels of government and take stock of the highway needs that can be anticipated after the present Interstate program is concluded. This we are now doing. Under the Bureau of Public Roads, a continuing nationwide study of prospective highway needs for 20 years in the future is now underway. Information for this study is being gathered by the State highway departments in cooperation with city and county governments.

All types of roads and streets, regardless of their classification as Federal-aid, State or local, are being included in the study, making it the most comprehensive analysis of highway needs ever undertaken. And a special analysis is planned for urban areas, where the needs are most critical.

Congress has asked for the first report on this study in 1968, so that it can provide for a continuing program that can be carried on without delay after 1972.

At the same time, the Commerce Department and the Bureau of Public Roads are conducting long-range research into possible technological developments in order to anticipate changes in vehicles, highways, or individual transportation systems generally.

On this occasion, when we look back with pride on what we have accomplished, and as we look ahead with confidence that we can meet the challenges of the future, we are doing honor to our country--for Interstate 70 is a monument to our system of government, and a testimonial to our vigorous free-enterprise economy working within that system.

This system of government and our free enterprise economy have given America great power and world leadership. And they give us the confidence

to lift our eyes to new horizons, to plan and build a better world for ourselves and our children.

Interstate 70 is a major contribution to this better world. May it serve you well.

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UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

FOR RELEASE ON DELIVERY AT 1:20 P.M.
MONDAY, SEPTEMBER 20, 1965

Address by Secretary of Commerce John T. Connor Prepared for
Delivery to the Chamber of Commerce of Metropolitan
Baltimore, Lord Baltimore Hotel, Baltimore, Mary-
land, 1:20 P.M. Monday, September 20, 1965.

As the Secretary of the Department of our Government concerned with
business, trade, technology, transportation and travel, I am delighted to be
here in Baltimore where these great economic forces converge.

Yours is an old and historic city, but it is also a vigorous and go-ahead
one. I was pleased to hear that you in the Chamber of Commerce are concerned
not only with bringing new industries to your city, but more trade and shipping
as well. For this purpose, I am told, you have--together with the Port Au-
thority--already sent four missions abroad: to Western Europe in 1958, to
South America in 1960, to Scandinavia and the Mediterranean in 1962, and to
Asia in 1964.

I hear that you are planning for next year a mission to the Mediterranean
and the Near East. This was the home ground of the Phoenicians, the great
traders of the ancient world. To expedite their business, they devised the
Phoenician alphabet as a kind of commercial shorthand--the alphabet from which
all present alphabets, including our own, are derived. This is one of the
many important contributions that trade has made to civilization. It is fit-
ting that we recall, in this year of 1965--which has been designated by the
United Nations as International Cooperation Year--that trade is by far the
oldest form of international cooperation, antedating all recorded history.

Speaking of that ancient world which some of you will be visiting next year, I am reminded of a convivial gathering in the royal palace of Macedonia some 2,300 years ago. King Philip had been imbibing rather freely, as was his custom. Late in the evening his son Alexander the Great, who was no particular admirer of his father, took note of his condition, and said:

"Look at the great general who plans to cross from Europe to Asia! He can't even get from one table to another!"

I think that many of us must have felt a similar irony in contrasting the girdling of the globe by the gallant Gemini twins with the increasing difficulties we encounter in getting from one point to another here on the ground. We can and must win the race to the moon, and we are plowing a lot of the nation's resources into it with hardly any complaints. But there's a race right down here on earth that we must win as well--the race between our growing population and its increasing concentration into cities and clusters of cities on the one hand, and the means of moving people and goods on the other.

Transportation is big business, accounting for nearly one-fifth of our Gross National Product. It will have to expand at least at the rate of our economy as a whole. The Council of Economic Advisors foresees a potential economic growth of at least four percent a year. This means that our economy will double in size in the next 20 years, and so will its demands upon our transportation network.

As I speak today, we are just about at the midpoint in the construction of our nationwide Interstate Highway System, which will total 41,000 miles when it is completed. I should like at this time to pay tribute to Congressman George H. Fallon, who as Chairman of the House Public Works Committee has contributed so much to the initiation and carrying through of this great program to modernize and improve America's highways.

It is a continuing and primary responsibility of the Department of Commerce to do everything that we can to see that the development of all our transportation systems proceeds along orderly and efficient lines. For this reason, we have embarked upon a research program directed at acquiring the knowledge and data which will enable us, and more particularly the private operators of our various forms of transportation, to arrive at decisions which will keep men and materials moving in accordance with the expanding needs of our economy and our rising population.

President Johnson took note of this need in his State of the Union message this year, saying: "In a country that spans a continent, modern transportation is vital to continued growth."

Subsequently, the President asked the Congress to authorize a substantial research effort in the field of what is technically known as "high speed ground transportation"--that is, transportation such as railroads operated on the ground and on a fixed path segregated from general public use. The necessary legislation has been approved by both branches of Congress.

It authorizes an expenditure of up to \$20 million in the current fiscal year, and \$35 million in each of the two ensuing fiscal years--a total of \$90 million.

This research program will be focused primarily upon the nation's most heavily populated area, the stretch of the Atlantic seaboard from Washington to Boston. According to the 1960 census, something over 30 million people--more than one-sixth of the population of the United States--live in this region, often called the Northeast Corridor. The population density was 354 per square mile in 1960, and in 1980 it will be about 1,100. Already, experts on urban problems have noted the tendency of the cities in this Corridor to merge their boundaries and are visualizing one continuous super-city 400 miles in length--Megalopolis, as they label it.

We are not only going to be doing a great deal of research--we shall be conducting an imaginative but practical experiment on a large scale, and I here and now invite you in Baltimore to take part in it.

We are planning, in conjunction with the Pennsylvania Railroad, a demonstration in the New York-Washington stretch of the Northeast Corridor, to show how rapidly and comfortably railroads can transport passengers, through the full deployment of modern technology.

We are seeking to find out how the traveling public--and that means you, and millions like you--will respond to new equipment, higher speeds, variations in rail fares, improved comfort and convenience, and better service all around.

We are thinking in terms of individually-powered electric cars, specially designed and built for this service, which can travel alone or in tandem at sustained speeds of 120 miles an hour, and in some stretches of the line can reach 150 miles an hour.

It is a little too early to talk in terms of precise schedules--for the Pennsylvania Railroad will have to fit the demonstration runs into its existing schedules.

I can say, however, that the new schedules will undoubtedly offer to the residents of Baltimore faster and more frequent service to New York, Philadelphia, Wilmington, and Washington. Rail time between New York and Washington will be trimmed to less than three hours, compared with the present schedule, which ranges from three hours, thirty-five minutes to over four hours.

These new cars, drawing upon the most advanced technology currently available, will be far superior to any we have seen on the railroads in recent years--more modern, more comfortable, more convenient.

For one thing, there won't be any steps to climb or stumble on. All the station platforms will be level with the car floors, so that you can simply walk on and off the trains.

The objective of this improvement is speed as well as ease and convenience. Each five-minute stop the train makes today on the New York-Washington run cuts 1.5 miles an hour off its average speed. So the planners are seeking to design equipment which will make it possible to cut station stops down to about two minutes, not unlike a subway express.

This means they will need to think in terms of special equipment for whisking baggage on and off the train. There's talk of a baggage cart which can be injected or ejected from the train in a jiffy.

These trains will be CLEAN--and let's put that in capitals--antiseptically clean, I hope. The designers are already studying the application of new chemical and electrical waste disposal techniques to keep the coaches tidier. And they're not forgetting more mundane conveniences as well--like better facilities for stowing hats and coats and like public telephones, so that you can transact business and arrange appointments en route.

These cars will be soundproofed to keep noise down to the barest minimum, even at high speeds. And they will also have humidity control both for air-conditioning and heating.

The primary investment by the Government will be in these new self-propelled cars, which it will lease to the Pennsylvania Railroad. But I'm glad to tell you that the Railroad officials are not only enthusiastic about this experiment--they are backing their enthusiasm with solid, free-enterprise cash. The Pennsylvania Railroad has told Congress it is willing to invest \$20 million or more as its part of the deal. This will be primarily devoted to upgrading roadbeds and stations.

We are planning a similar demonstration project between Boston and Providence. The New Haven railroad line is not electrified in this stretch. Therefore, cars propelled by gas turbine motors will have to be developed for this project.

Many of us older Americans are railroad buffs at heart, and we'll get a real kick out of seeing the Iron Horse riding high and proud again. In fact I suspect that, when this new service is initiated--within 18 months or less, I hope--we'll find some of these railroad buffs riding back and forth between here and New York just for the fun of it.

But the reasons for testing out the railroad passenger market in this way are not sentimental--they are highly practical. A railroad uses no more land than ~~one~~ of today's modern super-highways--yet it is capable of carrying five times as many passengers.

That's important because, with the airplanes into major cities already seriously congested, much of the steadily increasing flow of passenger traffic will have to move on the ground. Land in this crowded Northeast Corridor is a precious--and limited--endowment of nature. We will need fast, efficient rail systems to complement our fast, efficient highway systems. All systems must not only move apace of need, but anticipate and gear up for future needs.

I want to make clear that, while we are presently focusing our attention on this Northeast Corridor, the lessons we learn by research, development, and actual testing will have a much wider application. They will point the solutions to similar problems which may evolve in other extended metropolitan areas, such as the east coast of Florida, the Milwaukee-Chicago-South Bend-Cleveland complex, and--on the West Coast--the areas between San Francisco and Los Angeles and between Seattle and Portland.

This experiment in improved rail transportation is designed to test the market as thoroughly and inexpensively as possible in order to provide a

framework for future improvements. At the same time, however, we will be examining in our research program the possibilities of adopting new techniques to the existing railroad system, or developing entirely new systems of high speed ground transportation, some as revolutionary as Jules Verne in concept.

One idea which has been proposed is the mass transportation of automobiles, together with their drivers and passengers, from one city to another on "auto-rail ferries."

Another is to use vehicles that run on a thin layer of air, reducing friction practically to zero.

Other ideas are more radical but nonetheless probable of attainment--such as the transportation of passengers between New York and Washington in underground tubes. These trains might be powered by a jet engine, or they might simply be pumped from one place to another in the manner of a cylinder in a pneumatic tube.

The proponents of systems of this character are thinking in terms of speeds of up to 400 miles per hour. If research proves such concepts to be feasible, they will be competitive with air travel.

Private manufacturing interests here and abroad have done some preliminary work on these concepts, but a Government contribution to this effort seems imperative. Private capital is inhibited in this field by the very considerable risks involved in the development of systems which, by and large, will depend upon public decisions for their adoption.

In this program, we are concentrating our research and development effort on high-speed ground transportation, because the search for innovation in this field has hitherto lagged behind air and road transport. I want to emphasize, however, that our findings will be fed into the overall national pool of information concerning all forms of transport, including air, highway, and

water. Indeed, an essential part of our new research program will be a coordinated effort to improve our nationwide statistics on all kinds of transportation.

In the larger sense, we do not now have a rail problem, we do not have an air problem, we do not have road or waterways problems. Rather, we have a transportation problem--the problem of assuring the speedy and convenient movement of passengers and freight to serve the needs of a growing population and economy. We shall need to know all we can about the potentialities of all forms of transport, so that they can be harmonized and orchestrated in the manner best serving the national interest.

I have enjoyed visiting with you today, and I hope to come back from time to time, as occasion arises. But, although I can be here only occasionally, the Department of Commerce is in fact here with you every day, the year round. It is ably represented by the Director of our field office in Baltimore, Mr. Carroll F. Hopkins, and his assistant, Mr. Nick A. Lalich. Like the Department of Commerce itself, their function is one of service to the public generally, and to businessmen in particular. I hope that you keep them fully occupied, and I look forward to hearing from them regularly about the problems and progress of this great hub of industry and trade.

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UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

For Release at 1 P.M.
Thursday, September 23, 1965

Address by Secretary of Commerce John T. Connor Prepared for Delivery Before the Second Annual Business Outlook Conference of the National Industrial Conference Board, Waldorf-Astoria Hotel, New York, New York, 1 P. M. Thursday, September 23, 1965

It is a pleasure to participate in a conference of this famous organization, with which I personally had so many associations when I was in private industry.

For almost half a century, the National Industrial Conference Board has been serving business, labor and government through such gatherings as this and through its outstanding research into economic problems. On behalf of our government, let me commend the Board's dedicated and able staff on its work--and also thank all of you who support this organization. You are contributing to the progress of the American economy.

Never has economic knowledge--and its wise application--been of more critical importance. For nothing less than national survival depends upon the strength of our national economy. Its power underwrites the military might that is the shield of freedom around the world. And it is the instrument through which we can help provide a better life for our people and for those elsewhere who want to live in peace and freedom.

This means that the rapid economic growth we have enjoyed for the past four and one half years must be extended. It also means that the expansion must continue in an orderly fashion, without the serious imbalances that result in costly recessions.

Today I would like to focus on this latter requirement--keeping the economy in balance. I mean maintaining balance under conditions of a growing economy which is

approaching full use of resources--balance in relationships of prices, wages, profits, investment, inventories, and in other areas.

I especially include the need for balance in our balance of payments. You and other business leaders have heard me speak many times on this subject since President Johnson's voluntary program for correcting the deficit was launched in February. In every instance I have described the problem in such terms as "serious," "urgent," and "critical," and I have called its solution absolutely vital to the national welfare.

Today, after seven months of the program, I am still using those terms--and if I could think up a stronger one, I'd use that too.

This does not mean that the program is lagging. On the contrary, the participating firms have already made important contributions to the improvement we have seen in the first six months of this year.

They've accomplished it by several methods:

One has been through repatriation of short-term financial assets. In the first half of 1965, more than \$400 million of short-term funds were repatriated by the non-financial firms in the program.

Another method has been through a more rapid repatriation of income earned abroad. For the 380 companies whose reports have been tabulated, the income they brought home during the second quarter amounted to \$675 million, a 13 percent increase over the first quarter.

A third way has been through restraint on capital outflows for direct investment in the developed countries. The data from the participating companies show a decline of \$224 million from the first to the second quarter, a decrease of about 30 percent from the extremely high levels in the first quarter.

Fourth, through financing overseas investments by raising funds abroad. Companies in the program have reported foreign financing totaling about \$400 million. This includes expansion of bank loans as well as the flotation of securities in the public market.

On the subject of direct investment, let me say that we recognize that the benefits of restraint on long-term investments will not become fully apparent until later this year and early next year. This is due largely to the fact that many companies already had projects in such advanced stages of development that they could not be cut back.

At the same time, I must state frankly that the present estimate of a 20 percent increase in 1965 in capital expenditures abroad for plants and equipment has given us a slight chill. We fervently hope that U.S. corporations will succeed in financing that hefty expansion abroad, particularly in Western Europe, because otherwise the capital net outflow for direct investments again will be dangerously high.

I wish I could say that a substantial rise in exports was the fifth way business was increasing its contribution to the balance of payments. Unfortunately such is not the case, despite the fact that many firms in the program are relying heavily on increased exports to help improve their contribution.

Strikes were one adverse factor in the picture, and a slower pace in economic expansion in Western Europe was another. I very much regret both situations and recognize fully that they were beyond the control of business.

But they only make more urgent than ever our need to step up exports in the remaining months of this year and on into next year.

Let me say it just as forcefully as I can to every corporation executive in America involved in the export business:

We need your best effort to increase your exports substantially. We need your help desperately. And we need it right now.

We need your help today, this week, this month, in order to cut our deficit down to manageable proportions this year.

We especially need to boost exports in order to offset the substantial rise in imports. Our exports for the first seven months of 1965 are running only 1 1/2 percent above those for the same period in 1964. But our imports are running 12 percent higher. This is a perilous cut into our trade surplus. It must not continue.

On Monday of this week I met with members of the Regional Export Expansion Council in Baltimore to discuss ways of increasing exports. Yesterday I met with Fred Foy, Governor Luther Hodges and members of the Executive Board of the National Export Expansion Council for the same purpose. Next week I will be in Denver to do the same with members of the Regional Export Expansion Council there.

This is our Number One Priority--and I hope it is close to the top of the list for every businessman in the nation who is concerned with exports.

Further than the need for balance in our international transactions, I want to discuss with you today the need for balance in other areas in the economy. Not that I think the subject has been neglected recently in the nation's economic forums; on the contrary, several very forceful statements have been made on it in the past few months, as we all know.

And not that I think other serious imbalances are becoming apparent today, or that there's imminent danger of their appearance in the near future.

Rather, I want to discuss the need for balance in the period ahead because I think that the current lengthy period of expansion has revealed to us a fundamental new fact of economic life.

It is this: That balance is very possibly, in and of itself, one of the greatest of all stimulants to sound economic growth.

There are many others, of course: the application of science and technology through research and development of new products and new processes; the development of new markets by business both at home and abroad; improving the skills and increasing the productivity of our workers; and the application of wise fiscal and monetary policies by government.

But none, I think, is more important than balance, particularly as our economy moves toward its full potential. For balance is a prime requisite for confidence in the future--and only confidence can unleash the dynamic force of the free enterprise system.

Balance assures labor of gains that are real, not a mirage.

Balance provides the confidence that prompts business to make long range investments in research and in new plants and equipment--which pay dividends in expanded sales and profits.

And balance makes possible the application of government programs that have a chance of making a real contribution to the economic well being of our people.

Serious imbalance, on the other hand undermines confidence, hinders cooperation among business, labor and government, makes planning difficult, gives rise to fear and uncertainty, and forces prudent businessmen to say, "Let's wait. Let's wait until we see which way things are going."

The consequences of such actions are well known to us all: slow economic growth, rising unemployment, a declining rate of capital investment, increasing Federal deficits, and spiralling inflation that both increases production costs and saps the buying power of consumers.

But balance, I should emphasize, does not in any way imply a static condition; it is not a synonym for dead center.

Certainly it does not imply a necessity to maintain the status quo among various segments of the economy. In fact, such a mystique itself promotes serious imbalances in both industry and agriculture.

Nor does balance imply the need for a sheltered economy, one protected from the winds of change that blow from every section of the nation and from every corner of the globe.

Nor does the kind of balance we are talking about imply perfect balance in every detail--rigid, inflexible and unyielding.

Rather we are talking about the kind of balance that goes with a living economy governed by the free play of forces in a pluralistic society, and not one dictated, as in the planned economies, by monolithic government. Those economies--as we know and as they are finding out--are more dead than alive.

The balance we are talking about means freedom and movement and challenge. It means the open marketplace in which competitive forces operate to produce an equitable distribution of our Gross National Product among all our groups. It means that our resources are channeled into the most effective and efficient avenues.

In fact, the balanced growth we are enjoying today makes possible the change and adjustments that go with progress without working severe hardship on those involved or the economy as a whole. The dislocations that accompany tech-

nological change, for instance, can be coped with much more readily today than during a period of sluggish growth.

In addition, this growth period--because of its balanced character--is helping to allay the ancient fear that the longer an expansion lasts, the more likelihood of a severe crash. We are learning that it isn't the length of the expansion that threatens us, but the imbalances that arise.

Now all of this is not to say that we must run for cover in fear and trepidation every time forces that might have unbalancing effects make their appearance on the economic scene. As I just mentioned, this free and unsheltered economy is never in perfect balance, but, in a manner of speaking, is forever regaining its balance. Like the tight rope walker carrying the long pole, we are constantly using many stabilizing forces to keep the economy on an even keel.

One example is the vast productive capacity built into the economy in recent years, part of which we will be employing to meet our commitments in Vietnam.

The interesting part about this is the fact that the stabilizing ability of this increased capacity is the direct result of the balanced growth we are enjoying. For it was the balance in the economy that gave you business leaders the confidence to increase capacity in the first place.

This highlights the fact that the nation relies primarily on the private sector to maintain the balance in various relationships.

And I should like to review for a moment some of the areas involved that will call for the continued exercise of labor and management statesmanship in the months ahead. While I am confident that the economy can handle the needs of Vietnam now contemplated without any difficulty, it is true that we will begin to approach capacity levels of production. And we must be on our guard against the various pressures which may result.

First, of course, it is necessary that we continue to maintain relative wage and price stability. The responsible action of labor and management in the steel settlement of three weeks ago points the way in this vital area.

Your distinguished chairman today, my good friend Roger Blough, and all the other leaders in steel, both management and labor, deserve the nation's gratitude for this settlement. As President Johnson pointed out, the negotiators achieved a victory for all Americans.

My own experience at the White House during these negotiations made me proud that our free American system enabled an agreement to be reached on these vital matters. True, the Government participated in the final innings. But this was not Government intervention in any objectionable sense. Both sides admitted freely that the Government presence was welcome and, indeed, helpful under all the circumstances involved. In those tough bargaining sessions, both sides reacted responsibly to President Johnson's reminder that in the final analysis the national interest had to be the paramount consideration, and that the national interest would not be well served by a costly and disruptive strike.

This settlement in the steel industry will help us continue the record of the past four years, in which prices have been relatively stable while wage increases have been roughly in line with productivity advances in the private economy. From the first quarter low of 1961 to the second quarter of this year Gross National Product has increased by one-third in current dollars and by one-fourth in constant dollars. Yet in the face of these large advances, wholesale prices increased by only 1.2 percent and consumer prices by 5.6 percent, over this entire period.

This has meant increased real purchasing power by all segments of the economy. In addition, this relative price stability has made the U.S. more competitive in world markets during a period when other industrialized nations were feeling the pressures of inflation.

Within the domestic economy, inordinate price increases necessitated by unjustified wage increases would erode the buying power of both business earnings and consumer incomes.

Of course, the price structure must be flexible enough to prevent imbalances from occurring in the supply-demand picture. But both unions and business firms must exercise restraint in periods of rising demand such as we are now experiencing.

Particularly is this true in the case of many items in which price increases play a secondary or even minor role, when it comes to affecting sales volume. But to the extent that higher prices are paid for some items, it

leaves less buying power to purchase other items. So the total units sold would be less unless there were counterbalancing price declines elsewhere.

We must strive for a relatively stable price level, but specific price movements within the total must reflect the effect of market forces, just as they often have to reflect rising or declining costs.

The complement of our objective on prices is that labor costs be held within the productivity gains of the economy. Often what appears on the surface to be a gain for labor through relatively high wage increases turns out in the long run to be a loss in markets and in real purchasing power. I think that labor realizes that the sharp increases in employment over the past four years, the drop in the unemployment rate, and the rise in personal income, are all attributable in part to wage-price stability.

A second area requiring balance is in the supply and demand for workers skills. We can progress no faster than labor is trained to operate our increasingly complex machines.

And nowhere is closer cooperation among business, labor and government more urgently needed. I especially include local and state governments, which conduct the vocational schools where the technicians and craftsmen of tomorrow are prepared.

Business has special responsibilities to work with the local educational system in making known the skills it will need, and in helping to develop programs that provide faculty members who have had actual job experience. In

addition, I hope companies can step up their own programs for training new workers and retraining older ones in the specialized techniques peculiar to their own situations. Many firms have long had such programs, and their foresightedness has paid handsome dividends--both to themselves and the entire nation.

Labor unions also can play an increasing part in this area by extending their apprenticeship programs or even setting up training schools for those who have been unemployed for a long time. And both business and labor should work diligently to assure equal opportunity in job training for all Americans, regardless of color or creed.

In the area of employment, let me take just a moment to commend business for its magnificent cooperation in carrying out the President's Youth Opportunity Program this past summer. We had expected a marked increase in the unemployment rate, since we knew that an unusually large number of young people would be looking for work. Thanks to the splendid response of employers, the rate of unemployment declined to 4.5 percent during July and August, seasonally adjusted. I had the privilege of working with business on this program, and the experience was indeed gratifying when thousands of letters answering our call came pouring in to the Department of Commerce.

A third area requiring balance involves Federal Government receipts and expenditures. The powerful influence of these factors on the economy has been clearly demonstrated in the past year or two, and we must take them fully into account during the coming months.

As the economy grows, Federal Government tax receipts expand at a very rapid rate, and we must make certain that Government does not create a fiscal drag on the economy by taking more out of the income stream than it puts in. But the current requirements of Vietnam and the new programs approved by the

current session of Congress such as education, housing, anti-poverty and regional development, are certain to call for increased expenditures.

Outlays under the new programs will be partially offset by savings in continuing Government activities and by discontinuing programs of lower priority. The budget formulation process now underway is extremely tight and exacting, and the President has put each agency under definite instructions to effect whatever savings are possible.

There are other areas requiring balance: in business inventories, in profit levels, in the fields of consumer and corporate credit, and others.

Together, I am confident that they will continue to be handled prudently and thus provide the confidence so necessary for a continued healthy expansion of the economy throughout 1966.

Of course, the Secretary of Commerce, like the Marketing Vice President, should always be an optimist, but this time I have good reason for being so. We are in the 55th month of expansion, the longest in our history, and the basic forces are favorable for further expansion. Confidence is high among both businessmen and consumers.

The recent Government survey on business plant and equipment expenditures indicates an increase this year of \$6 billion, or 13-1/2 percent, over such investment in 1964. Last February the estimated increase for the year was 11.7 percent. And early indications are that the capital investment program by private industry will continue at a high level in 1966.

The latest Census Bureau survey on consumer buying intentions indicates favorable levels for automobiles, houses, and durable goods.

In sum, the outlook for 1966 is favorable. I believe we will see a continuation of the cooperation among business, labor and government to achieve national goals in the public interest. And I am confident we will achieve an increasing standard of living for all our people, without the development of important excesses or imbalances in our national economy.

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UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

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Address by Secretary of Commerce John T. Connor Prepared for
Delivery before the Rocky Mountain States Governors Con-
ference to Accelerate the Regional Economy by Broader
Application of Science and Technology, Brown Palace
Hotel, Denver, Colorado, 7:00 P.M. Monday,
September 27, 1965

No one who comes as a stranger to this Conference can fail to be im-
pressed by the geographical grandeur which binds the Rocky Mountain states
together. Judging from the subject of this conference--"Economic Develop-
ment through Science and Technology"--I would say that you have ideas to
match your mountains.

The theme of this meeting tells a great deal about the economic facts of
life in modern America. It is not essential that a state have enormous natural
resources. It is not essential that a state have a favored geographic location.
It is not essential that a state have ideal climatic conditions, or access to
natural modes of transportation. Indeed, a state can be relatively poor in
such resources, and still be prosperous.

Where economic growth is high today we see a different sort of wealth--the
intangible resources of science and technology. These include people and
knowledge--highly-skilled, educated people, with the training and know-how to
put science to work.

These are the resources that have enabled the tiny nation of Israel to
overcome harsh physical realities, and achieve a standard of living that is
the envy of nations endowed with many natural resources. These same technical
resources can be put to work for every state in the Union--large and small.

I sometimes think that the task of using science and technology for economic growth is simpler to deal with on the national level. At least, the problems are more easily defined. We know that we need a good educational system. We need a strong research effort by private industry. We have a lot of data on these aspects of the problem, and there is a great deal of thought given to national manpower and research requirements.

At the level of the states, however, the situation is quite different. Here, theory must merge into practice. We can't simply assume that all science and technology automatically produce economic growth, and then support them in blind faith.

There are hard questions of finances, and the right kinds of science and technology, and the proper roles for Government, universities and private industry. If the plans are wrong, then we cannot shrug our shoulders and go back to the drawing board. Companies would be in trouble. People would be hurt. Resources would be wasted. Time would be lost. Opportunities would evaporate.

I know that you at this Conference are determined to do things right. We in the Commerce Department have the primary governmental responsibility for promoting the use of science and technology in economic growth, and we stand ready to assist you in every way possible. To create the proper climate for growth, each segment--industry, universities, local government, Federal Government--must play a particular role. These roles are ordained, not by the distribution of wisdom among the various parties, but by the function each one is designed to perform.

Right at the beginning, I'd like to knock down one notion that tends to focus our efforts in the wrong direction because it oversimplifies the problem. This is the notion that what we need is simply more science and technology. Don't misunderstand me. I'm a firm believer in research and

development. But a Government research contract to develop a piece of military hardware, for example, creates only the jobs necessary to develop the equipment, and some supporting jobs. On the other hand, a private research project to develop a new way to build houses may lead to an entirely new industry.

More important than the amount of research and development in a particular state is the kind of research and development. Who is doing it? Why is it being done? Who is paying for it? What are the objectives? How will the results be used? Are there means available to exploit the results? These are the questions that must concern us.

Of course, Government funds an enormous amount of research and development in connection with national defense, space exploration, and other such programs. There is great interest on the part of all regions of the country to participate in these programs. Certainly no state should be so disadvantaged in technical resources that it cannot compete for these contracts. For the long term, however, it is clear that a community would be foolhardy to pin its hopes for economic development solely on Federal R&D contracts. An economy geared to private markets offers the surest hope of steady, long-term, locally-determined economic growth.

One of the most important requirements for achieving this objective is the presence of entrepreneurial talent. The entrepreneur is the driving force that pushes ideas to reality. He provides the bridges between the research laboratory and the marketplace. He can encompass what is needed as well as what is known. He understands that products must be produced at a price people are willing and able to pay.

This market factor explains why there was no mass market for automobiles in some European countries until recent years. It explains why all the science and technology in the world will not overnight create a mass market for electrical appliances in the developing nations of Africa and Asia.

So the entrepreneur is no less important than the scientist or engineer. All are important, and all are needed. But often there comes a time in the development of a region when the crying need is not for more science, but for more people who can put science to profitable use: more businessmen with the required vision, skill, daring, and organizational ability.

This country has spent more than \$100 billion in research and development during the past twenty years, and I don't know of a single expert who believes we have put anywhere near all the accumulated knowledge to practical use.

And this statement can be applied to more than just scientific knowledge. Studies made by the Commerce Department indicate there are wide gaps in productivity among companies in most industries, and that the differences are related to basic business knowledge. The studies use the concept of "value added" which is the value of finished production, minus the cost of the original materials. When this number is reduced to a "per employee" figure, we then have a meaningful basis for comparison of all companies within the same industry.

Listen to some of these figures: For the tire industry, the average company realizes a value added of \$14,267 per employee. The most efficient companies, however, have a value added per employee of 23,365. Think what a competitive advantage this gives to the more productive firms. For internal combustion engine manufacturers, the average is \$10,199. The most productive firms, however, show up with a figure of \$16,706. For aluminum rolling and drawing mills, the average value added per employee is \$11,548. The most efficient firms again are way out in front, with a figure of \$20,777. There are similar figures for other industries and the pattern is the same.

What accounts for the difference? More modern equipment is an obvious answer in some cases. More efficient use of labor could be a factor. More efficient use of raw materials. More efficient use of capital. In general,

better business practices. And I should point out that the relative productivity of the companies is not related to the size of the plant.

The lesson is obvious. Many firms could improve their productivity many times over, merely by adopting the existing practices of the more efficient companies. If this type of improvement were carried out on a nation-wide basis, the increase in national productivity would far exceed the growth rate of recent years. It may be unrealistic to hope for such an across-the-board improvement, but the opportunity to achieve meaningful increases in productivity is clearly there before us.

There was a time in our history when a company was established on the basis of some new product, and then spent its remaining years producing improved versions of the original idea. That time is now past. Modern industry must be geared to constant innovation. Technological change must become an institutionalized part of the business process. For the enlightened, and I suppose we all like to think of ourselves as enlightened, this phenomenon means progress. I suspect, however, that it is progress only if you're doing the pushing, and it's economic displacement if you're being pushed.

The point is that we must expect some resistance to change. Workers resist change from fear that it may threaten their jobs. Management is sometimes no less resistant to change. A company tends to use one kind of material, to sell in one kind of retail outlet, to deal with one group of suppliers, one group of distributors. Its corporate image is built up through the years. Internal corporate relationships become structured to one way of doing things. The stability and security of these tested ways are threatened by change. Business managers may resist change unless they see it as a constructive and challenging process.

1 The Government has recently taken steps to encourage the introduction of new technology into business and industry in all parts of the country. I am referring to the State Technical Services Act, signed into law by President Johnson just a short time ago. By creating a proper partnership of state, local, and national interests, this program will speed the development and expansion of State programs designed to place the findings of science and technology in the productive hands of local business. This program has great possibilities for local economic development. It will accomplish its objectives, however, only with the initiative, imagination, leadership, support, and ideas of local businessmen.

The entrepreneurial spirit, of course, does not flourish in a vacuum. Venture capital must be available. It must be invested by men who understand the difference between the operations of a department store and the operations of a research and development-based manufacturing company. The investment criteria which may be applied to one type of investment do not necessarily apply to the other.

The nature and character of the local community and local government can have a significant impact on the prospects for growth. What is the intellectual climate of the community? Are there suitable educational and recreational facilities? What of the health facilities? Are there cultural opportunities in the area? Does the local political structure encourage participation in community affairs? Obviously, no one can prove that these conditions will automatically create an economic paradise, or that the absence of these conditions will prevent economic development. But in those regions of the country which are flourishing, these conditions generally are favorable, and it would be unwise to ignore their importance.

- The word development implies change, movement, and not just physical mobility. There must also be mobility of thinking. This requires a businessman to think of himself, for example, not as being in the shoe leather business, but in the foot covering business, to think of himself not in the lock business but in the household hardware business. The broadened concept of a company opens the way to broadened opportunities.

There must also be mobility in the thinking of workers. Retraining may be necessary, even desirable, two or three times during a man's working lifetime. This does not mean that he faces a constant threat of obsolescence. Rather, it means that his adaptability gives him a greater intrinsic value to any employer.

Community and government leaders should be flexible in their thinking. They should break out of long-established habits which might dictate that manufacturing, for example, is the only answer to the economic needs of their region. At the present time, there are more workers in this country employed in the service fields than there are in the manufacturing industries. A service-oriented economy requires new skills, new business establishments, new patterns of economic activity for states and regions, new thinking on everyone's part.

Finally, there should be a close relationship between local industry and local universities. the stereotypes would have us believe that industry is the only source of practical experience, and that universities are the only source of real knowledge. Neither version is true. The universities cannot produce the industrial practioners of tomorrow unless the faculty and students have a working familiarity with the problems and the opportunities in the world of industry. On the other hand, the latest state-of-the-art, the knowledge and skills that are vital to industry, may often be found in the research laboratories of the university.

These, then, are the conditions we should strive for--the right mix of R & D and business, entrepreneurial talent, sophisticated venture capital, a climate for technological change, a community that offers the services and facilities people want, a ready mobility among people, and strong ties between industry and universities.

In meeting these goals, I take it as a fundamental article of faith that the primary responsibility for economic growth rests with private industry. Government activity, at all levels, should be directed toward creating those conditions which will permit private industry to efficiently produce the goods and services society needs.

Within this framework, the Federal Government has a responsibility to help assure an adequate supply of scientists and engineers. It has a responsibility to support basic scientific research. It has a responsibility to support some of the basic technology in areas where it is in the public interest to have a national competence, but where the profit motive is too far removed to provide incentives to private industry. Atomic energy and supersonic transportation are illustrations of this kind of technology.

Government should also examine its policies in such areas as taxes, antitrust laws, and regulated industries, to insure that these policies do not impede research and innovation on the part of private industry.

There are more direct steps which Government can take. I know that you have followed with great interest the establishment of the Economic Development Administration in the Commerce Department. Under this program of President Johnson, the Government has three major weapons to help in the development of regions of the country that suffer economic distress. First, we are authorized to make grants for public works and development facilities which are prerequisites for successful economic development. Second, we have a loan program designed to encourage greater use of private capital in re-

development projects. Third, we offer grants and technical assistance to enable counties and states to seek common solutions to their common economic problems.

The purpose of this new program is to help private industry provide new jobs for regions of the country which do not now share in the national prosperity.

State and local governments can do much in their actions and their attitudes to create the proper climate for economic growth, and there is nothing to prevent them from supporting research that is appropriate to their local needs. On a less expensive scale, State governments can use their procurement programs to stimulate research and innovation by the companies that supply them. States can provide a receptive market for companies to experiment with new products, new materials, and new ways of doing things.

Universities should identify themselves more closely with the problems and opportunities of the communities that support them. The engineering professor, and the engineering graduate student should feel just as much at home in the production lines of a local factory, as they do in the research laboratory.

Industry must develop its own technical resources, together with the know-how to use science. Industry should create new techniques for coping with the massive outpouring of scientific and technical data. Government is already doing what it can in this field through the Clearinghouse for Federal Scientific and Technical Information, in the Commerce Department.

There is a point beyond which Government should not go. Private industry must ultimately take the knowledge and apply it to the specific problem of producing a product or a service to meet a need, at a price people will pay.

I have delineated these responsibilities in rather sharp lines, but there is really no conflict. Universities, government, and private in-

dustury all have different functions. They are united, however, by two unshakeable beliefs.

First, we know that our system works--not in spite of, but because of our pluralistic traditions.

And second, we know that success in our efforts to use science and technology, as evidenced by a strong, dynamic economy in all parts of the country, will yield bountiful dividends to all of our people.

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UNITED STATES DEPARTMENT OF
COMMERCE

John T. Connor, Secretary

Washington, D.C.

Office of the Secretary

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September 30, 1965

Address by Secretary of Commerce John T. Connor Prepared for Delivery Before the Overseas Press Club, New York City, Thursday, 1:30 P.M., September 30, 1965.

I shall open my talk today with two quotations from a man still very vividly remembered by all of us, even though he seems to be forgotten -- ostentatiously forgotten, one might say -- in his own country. I refer to Nikita Khrushchev.

At the height of his power and self-confidence, he said:

"What we advocate is that the superiority of any particular system be proved, not on the field of battle, but in peaceful competition for progress, for improved living standards of the people."

Mr. Khrushchev had no doubt whatsoever as to the outcome of this competition. For, as he saw it and expressed it:

"Capitalism is already a hard-ridden old hag, while communism is new, young, and brimming with energy."

Now, like all pronouncements by Communists -- even so frank and outspoken a one as Nikita Khrushchev -- these words need to be taken with a grain of salt.

Yet, I do believe -- personally and as Secretary of Commerce-- that Mr. Khrushchev did indeed state the basic test by which an economic system should be judged. That is, its capacity for progress -- and progress measured not merely in tons of steel or coal, but in the satisfaction of human needs and aspirations.

And I must say that Mr. Khrushchev really did try hard to make the Communist system work. Unlike Joseph Stalin, who stayed holed up in the Kremlin remote from the realities of Soviet life, Khrushchev traveled to every corner of Russia. Wherever he went, he urged, cajoled, implored and hectored the people to work harder and more efficiently. Indeed, he acted as a kind of one-man pep-rally in perpetual motion.

I believe that he came, in the end, to realize that the fault was not with the efforts of people, but with the system itself. I believe he recognized that very basic reforms had to be made in that system to make it work. Certainly, his successors seem to realize this. Indeed, one apparent reason they pushed Mr. Khrushchev aside was that they did not think him capable of carrying out these urgent reforms.

Let us be fair about it. In some respects, the system works well. It can turn out some basic products like steel in immense quantity. Where it can concentrate its efforts on a single goal, as it has in the field of space exploration, it is capable of highly sophisticated performance. Indeed, we have only recently caught up with and surpassed Soviet achievement in this field.

But people cannot eat or wear steel, or live in space vehicles. It is down on earth that the system fails, in terms of yielding the improved standards of living which the Russian people need so badly.

They say that, in the Soviet Union, the old buildings look new and the new buildings look old. That is true of the Communist economic system itself. Although it is only 48 years old, it is creaking in many of its joints.

Indeed, its ailments are so many that we are now witnessing a major effort to rejuvenate it by measures resembling capitalist practice.

We all know of "Libermanism" -- the revolutionary idea that, as under capitalism, factories should produce what the people want and are willing to pay for -- rather than what someone in Moscow thinks they ought to want, usually shapeless and shoddy goods that look well in the statistics, but not in the shops.

We all know, also, of Soviet experiments with the concept of profits as a badly-needed measure of the efficiency and performance of particular factories.

Last week the Moscow paper Izvestia reported that two clothing factories chosen for pilot projects in using the profit motive are booming. It said that turnover has increased by 250 per cent, quality is improved and productivity is up.

It reported, however, that experiments in the direction of a more liberal economy are running into opposition. It doesn't identify the opponents. Presumably they are the Soviet equivalent of hidebound reactionaries -- people who want to do things the way Stalin did, no matter what the consequences. But it was very firm in rejecting them, saying:

"There are attempts now to go back to the old, to administer as before. This must not be permitted." Instead, it said, "We must go faster along the road."

The use of interest rates, as a means of ensuring that capital -- a scarce commodity in the Soviet Union as elsewhere -- has also been introduced, though as yet on a very limited scale. Its wider application is still being resisted, with some Soviet officials -- presumably the same hidebound reactionaries -- insisting that it is unorthodox and unthinkable.

Things are moving rapidly, however. On Monday of this week, Prime Minister Kosygin announced that reforms of this character would be extended across-the-board in the Soviet Union. He put forward the profit concept as the key incentive for improving quality as well as judging the efficiency of an enterprise.

He also said that "rentability" would be introduced--and this has been taken by observers to mean that interest may be charged for capital.

He admitted that there has been a "certain drop" in the rate of growth, and said that "We can and must improve the situation in the next few years."

Even more startling ideas are being advanced. In the Soviet journal, Problems of Economics, Efim Manevich has proposed that unemployment insurance, abolished by Stalin 35 years ago as a relic of capitalism, be re-established. He has faced up to the fact that there is substantial unemployment in the Soviet Union. There will be more when the vast amount of makework and featherbedding in Soviet farms and factories is eliminated in the interests of the kind of efficiency that is essential to real economic gains.

These are small beginnings, of course. But I believe that, once started, they cannot be limited or contained. If one factory is seeking to produce the kind of clothes that people want, its manager will also demand from the textile factory which supplies it the kind of cloth that they prefer. He won't be willing to take any old stuff which the textile mill happens to be turning out and wants to get rid of.

Indeed, I am reminded of the way in which feudalism came to an end in Europe. This system -- under which everyone from the serf on the land to the lord in his castle had his appointed and unchanging place and rank -- seemed monolithic and impregnable. It did not seem threatened in any way by the gradual emergence in the towns of merchants and artisans. Yet it was these people -- able, within limits, to rise according to their own abilities and chafing under the feudal system which prevented them from rising further -- who eventually relegated that system to the rubbish heap of history.

Yes, there are interesting changes in Communism, as practiced by its senior practitioners, but there have been dramatic changes in capitalism as well. Indeed, it is capitalism, rather than Communism, which now looks and acts as if it were "new, young, and brimming with energy" -- to use Mr. Khrushchev's words.

I am not going to be a chauvinist about this. It is not only in America that capitalism is delivering the goods. All of Western Europe is registering high rates of economic growth, in conditions of full and even overfull employment. The countries of that old continent are cooperating across national boundaries with an effectiveness which the Communist countries are only now seeking to imitate. And in many respects, Japan has been doing even better--year after year it has been scoring the highest rates of economic growth in the world, although it has encountered some snags in recent months.

As an American, however, I think I can and should say something about the performance of capitalism in the United States. All of you know the overall figures. We are currently in our 55th month of continuous economic expansion, and -- from the first quarter of 1961 to the second quarter of this year -- our annual rate of expansion has averaged a vigorous 5.3 per cent a year.

Less clearly recognized, however -- even by many Americans -- is the cumulative effect of such sustained and vigorous growth. It has refuted some widely-heard prophecies of gloom and doom about future economic trends in the United States. Let me list some of them:

1. Automation would reduce total employment.
2. That it would, in particular, slash jobs in the manufacturing industries, in transportation, and in clerical work.
3. That certain vulnerable groups of workers -- the unskilled and semi-skilled, the teenagers, the Negroes -- would be hardest hit.
4. That the number of the long-term, or chronically, unemployed would steadily grow.
5. That over-all economic growth would not, by itself, rescue any substantial number of Americans from poverty.

The facts, however, have belied these prophecies of doom.

1. Total employment has increased by over two million between August 1964 and August 1965 alone.

2. Jobs in manufacturing industries, in transportation, and in clerical work have gone up rather than down.

3. During the past two years, the largest growth in jobs has been among Negroes, among the unskilled and semi-skilled, and among teenagers.

4. There has been a reduction of 350,000 in long-term unemployment between 1963 and now, and it is down to less than one per cent of the labor force today.

5. By the test of income, 450,000 families moved out of the poverty class last year.

Now, I am not going to claim that everything is rosy. The rate of Negro unemployment is tragically higher than white -- although this year it is, for the first time since 1957, less than double that for white workers. And, due to the post-war baby boom, the number of teen-agers has increased more rapidly than the number of jobs for them, so that in the 15-19 age group -- and only in that group -- the proportion of unemployed has actually increased in recent years.

Nor am I going to claim that, of and by itself, economic growth can solve all the problems of structural unemployment -- that of depressed areas and underprivileged minorities, for instance. In the first place, it would take too long, and in the second we might run into inflation first.

It is for this reason that the Congress has enacted and President Johnson has signed into law the various Administration programs of which you know -- manpower retraining, the economic opportunity program (that is, the war on poverty), the equal opportunity program and -- most recently -- the Public Works and Economic Development Act.

I shall dwell a bit on this last-named program, since it is an important responsibility of the Commerce Department. It is built upon our experience with the Area Redevelopment program, which began in 1961 and was phased out this summer.

The new program has three primary areas of emphasis, each based upon solid experience and valuable knowledge gained under previous programs:

First, the provision of funds for the public works and development facilities needed to prepare depressed areas to achieve sustained industrial and commercial growth.

Second, an improved and expanded industrial, commercial, and development facility loan program, including new authority to guarantee

loans for working capital in connection with direct loan projects, and to provide assistance in the form of two-point interest rebate contracts to induce soundly-based firms to establish their new plants or expansions in redevelopment areas.

Third, authority to take advantage of the possibility of more effective economic development and redevelopment when counties and states having common economic problems and common interest unite in seeking common solutions, with the help of the Federal Government.

A very important and promising regional program is that launched by the Appalachian Redevelopment Act this year. The Appalachian Mountains are a beautiful but economically backward area in the midst of regions of great economic activity and vigorous growth. After careful analysis, those concerned with the problems of this area came to a consensus that its basic problem is its geographical isolation, and that the most promising long-term solution is to end that isolation by opening it up with a really adequate highway system. Once it is opened up, and once skilled and imaginative people are attracted to its development its superb central location and ample resources of unused land should make it a highly attractive place for industry to locate, while its great natural beauty should make it an ideal recreation area for the people of the densely populated regions which surround it.

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I think I have said enough to show that capitalism here in America is enjoying a veritable rebirth of energy and vitality -- as it is in Western Europe and Japan as well.

Yet I am aware of a real problem which exists in your field -- that of communications. In many areas of the world, the image of capitalism -- including American capitalism -- is still a rather tarnished one.

In part, this is due to the inevitable time lag between past impressions and present reality. Many people still think of capitalism in terms of an imperialist system which is receding into history, in terms of the Great Depression of the 1930's, or even in terms of the novels of Jack London and Upton Sinclair. This is in part our own fault.

I am reminded of a story a labor friend of mine told me about a union convention. There was a resolution up for discussion, and one of the union officials was at the rostrum, speaking in favor of it. Down on the floor, a delegate arose and bellowed in a stentorian voice: "Point of order!"

The chairman took the mike, and said rather sharply: "What is your point of order, brother?"

"My point of order," the delegate shouted, "is that I'm in favor of the resolution too, but he's ruining our case!"

The sad fact is, that while many people abroad picture capitalism not as it is in today's advanced industrial societies but as it was many years ago, some of our own people talk the same way too -- and they hurt our own case by doing so.

Some of us talk of free enterprise as if it were, by itself, the answer to every problem of an increasingly complex economy. We talk of rugged individualism -- and too often make it sound like "each for himself and the devil take the hindmost." We bewail "government interference," as if government were the natural and hereditary enemy of business.

Now, there is an essence of truth in these statements, but they are not the whole truth. Our economy, in fact, is powered by individual initiative and private enterprise, and government is well-advised to limit and restrain its intervention in the affairs of a free and productive economy.

But this is not the whole truth, and particularly not the whole truth about today's new and socially responsible capitalism -- a capitalism of creative partnership, rather than sterile controversy, between government and business.

We need to begin speaking of capitalism not as it appears in Adam Smith or even the school textbooks of a generation ago, but as it actually functions today.

We need to stress that the new concept of capitalism includes our system of social security -- good economics as well as good morals, for it ensures that the old, the jobless, and the ill remain in the market as consumers. It includes the built-in stabilizer of a progressive income and corporate tax system. It includes the sensitive and perceptive use of the machinery of government to establish and maintain -- through fiscal and monetary policy, through wage-price guidelines, and through the sophisticated handling of the balance of payments problem -- the kind of economic environment in which private enterprise can grow and flourish.

Above all, it involves the recognition that all of us in this complex society -- government, business, labor, agriculture, and the professions -- have much more to gain from working with one another than against one another.

We can hardly complain that many people abroad fail to grasp this picture, when many of us at home don't either. I am pleased to say that it is increasingly recognized in the business community, where I have had some personal experience. Most modern-minded business executives now recognize that they and their corporations have social responsibilities, and that these responsibilities include cooperation with government to help achieve important national objectives. And I have found this social responsibility shared by the leaders of labor, agriculture, and the professions as well.

This isn't a simple picture, and it's not easy to put in a headline or a cartoon. One thing is certain, however--the capitalism of Western Europe, of Japan, and of the United States isn't anything like the "hard-ridden old hag" of Khrushchev's imagining. And I look for help to you, with your professional dedication to digging out the facts and your professional skill in expressing them in words and images which are meaningful to your audiences. You can help the people of the world to see the American economic system as it is today, not as it was a generation ago or as some Americans who haven't kept up with the times still see it.

In all history no system has served so many people so well. It has never been more vigorous and progressive than today. Its benefits have never been more broadly shared.

In the new kind of capitalism that is invigorating America, Western Europe, Japan and other areas of the world we see the best means of providing for the material wants of the masses while securing for the individual dignity and freedom and the pursuit of happiness.

We see in this new capitalism the growing economic strength which gives us the means, for the first time to eliminate poverty, ignorance, and oppression.

These are goals now possible of attainment, goals which in the past some thought could be accomplished only by a state-controlled economy.

As the world sees free enterprise continue to enhance the living standards and enlarge opportunities for millions, perhaps more nations will adopt this system of proven benefits rather than continuous experiments that fail to motivate people and fail to deliver the goods people need and want.

When this occurs, mankind will prosper in greater measure than we see throughout the world today.

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