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UNITED STATES DEPARTMENT OF
# COMMERCE
John T. Connor, Secretary — Washington, D.C.

## Office of the Secretary

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FOR IMMEDIATE RELEASE
MONDAY, OCTOBER 3, 1966

PROGRESS REPORT ON THE VOLUNTARY PROGRAM WITH THE BUSINESS COMMUNITY TO IMPROVE THE U.S. BALANCE OF PAYMENTS

Based on half-year results achieved in the voluntary balance-of-payments program, participating companies may surpass the level of contributions to the program previously projected for the full year 1966, Secretary of Commerce John T. Connor reported today.

Reviewing performance for the first half of 1966, Secretary Connor told a meeting of his Balance of Payments Advisory Committee (Friday, September 30) that the program continues to be effective and to enjoy broad support in the business community.

"Results achieved in the first six months of 1966," Secretary Connor said, "indicate that the companies participating in the program have already fulfilled more than half of their total balance-of-payments contributions projected for the year."

Expectations for 1966 Improvement

The initial 1966 projections have been tabulated for 722 companies, and relevant transactions from their reports are summarized in Table 1, attached. On the selected items shown, these companies have estimated net contributions during 1966 of $17.8 billion including income from direct

investment of $3.9 billion and capital outflows for direct investment of $2.5 billion. The income surplus of $1.4 billion projected on these transactions plus $16.2 billion of exports provide the bulk of the total contributions.

"The tendency of the direct investment target to induce companies to borrow abroad is clearly one of the notable achievements of the program," Secretary Connor noted. "The large increase in foreign financing of capital expenditures abroad is a major factor limiting U.S. capital outflows. The companies projected total long-term borrowing in 1966 by both U.S. and foreign affiliated companies of more than $1.5 billion compared to less than $400 million in 1964 before the program was in effect."

First half data have been summarized in Table 2, attached, for the 622 companies whose returns were received in time for tabulation. Differences in the tabulations shown in Tables 1 and 2 are confined largely to exports. The direct investment transactions of the 622 companies account for over 95 percent of the totals for the 722 companies.

Total contributions in the six months were nearly 52 percent of their annual projections, exports were 50 percent, and dividends, etc., from foreign affiliates were over 52 percent of the estimate for the year. Direct investment capital transactions in the first half were substantially lower relative to the projections. Capital outflows, after adjustment for the use of funds borrowed abroad, were 41 percent of the $2.4 billion projected for the 622 companies.

Members of the Balance of Payments Advisory Committee are: Albert L. Nickerson, Chairman; Carter L. Burgess, vice Chairman; and Fred J. Borch, Carl J. Gilbert, Elisha Gray, II, J. Ward Keener, George S. Moore, Stuart T. Saunders, and Sidney J. Weinberg.

Table 1

SELECTED FOREIGN TRANSACTIONS REPORTED BY
722 COMPANIES PARTICIPATING IN THE VOLUNTARY PROGRAM FOR 1966

(millions of dollars)

| Type of Transaction | Selected Annual Transactions | | | Annual Changes in Selected Transactions | | | |
|---|---|---|---|---|---|---|---|
| | Actual 1964 | Actual 1965 | Projected 1966 | 1964 to 1965 Amount | 1964 to 1965 Percent | 1965 to Projected 1966 Amount | 1965 to Projected 1966 Percent |
| 1. Exports | 13,945 | 14,938 | 16,149 | 993 | 7.1 | 1,211 | 8.1 |
| 2. Earnings from direct investments | | | | | | | |
| a. Dividends, interest, branch profits | 2,998 | 3,237 | 3,127 | 239 | 8.0 | (110) | -3.4 |
| b. Royalties, management fees, etc. | 673 | 749 | 806 | 76 | 11.3 | 57 | 7.6 |
| c. Reinvested earnings | 1,088 | 1,029 | 1,837 | (59) | -5.4 | 808 | 78.5 |
| Total | 4,759 | 5,015 | 5,770 | 256 | 5.4 | 755 | 15.1 |
| 3. Earnings on other investments, fees and other income, Net | 250 | 265 | 242 | 15 | 6.0 | (23) | 8.7 |
| 4. Direct investment capital transactions | | | | | | | |
| a. Reinvested earnings | (1,088) | (1,029) | (1,837) | 59 | -5.4 | (808) | 78.5 |
| b. Capital outflows | (2,545) | (2,624) | (3,053) | (79) | 3.1 | (429) | 16.3 |
| Less: Use of funds borrowed abroad by U.S.-incorporated companies 1/ | -- | 142 | 583 | 142 | n.a. | 441 | 310.6 |
| Adjusted capital outflows | (2,545) | (2,482) | (2,470) | 63 | -2.5 | 12 | - 0.5 |
| Total | (3,633) | (3,511) | (4,307) | 122 | -3.4 | (796) | -22.7 |
| 5. Other long-term capital transactions (with non-affiliates) | 26 | 66 | (40) | 40 | 153.8 | (106) | n.a. |
| Total Transactions | 15,347 | 16,773 | 17,814 | 1,426 | 9.3 | 1,041 | 6.2 |
| Memorandum: Direct investment transactions in program countries only | | | | | | | |
| a. Reinvested earnings | (976) | (781) | (1,470) | 195 | -20.0 | (689) | 88.2 |
| b. Capital outflows | (2,026) | (2,141) | (2,449) | (115) | 5.7 | (308) | 14.4 |
| Less: Use of funds borrowed abroad by U.S.-incorporated companies 1/ | -- | 142 | 581 | 142 | n.a. | 439 | 309.2 |
| Adjusted capital outflows | (2,026) | (1,999) | (1,868) | 27 | -1.3 | 131 | -6.6 |
| Total | (3,002) | (2,780) | (3,338) | 222 | -7.4 | (558) | 20.1 |

1/ Use of funds raised through foreign sales of securities issued by special U.S.-incorporated companies or through long-term loans from foreign banks, etc., to all types of U.S.-incorporated companies.

Source: U.S. Department of Commerce
September 26, 1966

Table 2

COMPARISON OF RESULTS DURING THE FIRST SIX MONTHS OF 1966
WITH PROJECTED ANNUAL TRANSACTIONS OF 622 COMPANIES

(millions of dollars)

(Percent)

| Type of Transaction | Projected 1966 | Actual Results in 1966 | | | Actual Results as % of Projected 1966 | | |
|---|---|---|---|---|---|---|---|
| | | 1st Qtr. | 2nd Qtr. | 1st Half | 1st Qtr. | 2nd Qtr. | 1st Half |
| 1. Exports | 15,300 | 3,666 | 4,056 | 7,722 | 24.0 | 26.5 | 50.5 |
| 2. Earnings from direct investments | | | | | | | |
| a. Dividends, interest, branch profits | 2,984 | 771 | 786 | 1,557 | 25.8 | 26.3 | 52.2 |
| b. Royalties, management fees, etc. | 771 | 180 | 197 | 377 | 23.3 | 25.6 | 48.9 |
| c. Reinvested earnings | 1,736 | 308 | 387 | 695 | 17.7 | 22.3 | 39.5 |
| Total | 5,491 | 1,259 | 1,370 | 2,629 | 22.9 | 24.9 | 47.9 |
| 3. Earnings on other investments, fees and other income, Net | 232 | 63 | 67 | 130 | 27.2 | 28.9 | 56.0 |
| 4. Direct investment capital transactions | | | | | | | |
| a. Reinvested earnings | (1,736) | (308) | (387) | (695) | 17.7 | 22.3 | 39.5 |
| b. Capital outflows | (2,967) | (447) | (965) | (1,412) | 15.1 | 32.5 | 47.6 |
| Less: Use of funds borrowed abroad by U.S.-incorporated companies 1/ | 561 | 111 | 306 | 417 | 19.8 | 54.5 | 74.3 |
| Adjusted capital outflows | (2,406) | (336) | (659) | (995) | 14.0 | 27.4 | 41.4 |
| Total | (4,142) | (644) | (1,046) | (1,690) | 15.5 | 25.3 | 40.8 |
| 5. Other long-term capital transactions (with non-affiliates) | ( 36) | ( 31) | (69) | (100) | 86.1 | 191.7 | 177.8 |
| Total Transactions | 16,845 | 4,313 | 4,378 | 8,691 | 25.6 | 26.0 | 51.6 |
| Memorandum: Direct investment transactions in program countries only | | | | | | | |
| a. Reinvested earnings | (1,391) | (227) | (290) | (517) | 16.3 | 20.9 | 37.2 |
| b. Capital outflows | (2,378) | (433) | (856) | (1,289) | 18.2 | 36.0 | 54.2 |
| Less: Use of funds borrowed abroad by U.S.-incorporated companies 1/ | 560 | 111 | 301 | 412 | 19.8 | 53.8 | 73.6 |
| Adjusted capital outflows | (1,818) | (322) | (555) | (877) | 17.7 | 30.5 | 48.2 |
| Total | (3,209) | (549) | (845) | (1,394) | 17.1 | 26.3 | 43.4 |

1/ Use of funds raised through foreign sales of securities issued by special U.S.-incorporated companies or through long-term loans from foreign banks, etc., to all types of U.S.-incorporated companies.

U.S. Department of Commerce
..., 26, 1966

UNITED STATES DEPARTMENT OF
# COMMERCE
John T. Connor, Secretary — Washington, D.C.

Office of the Secretary

FOR P.M. RELEASE TUESDAY, OCTOBER 4, 1966

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY TO THE 73RD ANNUAL CONFERENCE, INTERNATIONAL ASSOCIATION OF CHIEFS OF POLICE, PHILADELPHIA, PENNSYLVANIA, 10:00 A.M., TUESDAY, OCTOBER 4, 1966

I am very glad to be here today to discuss a subject of prime professional concern to you police chiefs, and of urgent importance to every American-- traffic safety.

It is particularly appropriate to do so at this forum of the International Association of Chiefs of Police because of your organization's notably active and continuing role in this area.

President Johnson's broad assault on this problem, now enacted into law by the 89th Congress, marks new beginnings for all levels of government, for industry, for the designers and builders of the nation's great roads and highways, and for the 100 million American men and women who drive motor vehicles.

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The President's livesaving program mobilizes the entire nation to combat what he has called "the slaughter on our highways." Never, any time or anywhere, has there been launched a safety effort of such breadth and magnitude.

But, if this is a new departure in many ways, one element certainly remains constant: Police and other law enforcement agencies continue, as ever, in the front lines in carrying the battle forward to success.

The new national program cannot relieve you of the rigors of your daily war against death and injury on the highways.

The national program does, however, provide additional weapons to assure final victory for you and all Americans.

This is the irreducible essence of the national road safety program embodied in the two bills recently enacted by Congress--the National Highway and Motor Vehicle Safety Act of 1966 and the Highway Safety Act of 1966.

They strengthen and enlarge and broaden the entire approach to highway safety while recognizing that there are no instant solutions or overnight panaceas in these complex areas.

Building on the experience of past and present, they encompass a systems approach that views all aspects of the safety equation as a whole--vehicle, driver, highway, and other environmental factors--while devoting full attention to each individual element of the total problem.

The achievements, the payoffs, will not come in Washington, but in the states and localities and on the highways of the nation--out where the rubber meets the road. And that, also, is where ultimate responsibilities will continue to lie.

Ironically, the grave problem of safety on our roads and highways is the product of the very success of our great and vibrant economic system in making the automobile a part of the everyday lives of so many of our people. Our high standard of living, and especially the surging prosperity of recent years, have brought enormous growth in the volume of traffic. This has helped bring about a corresponding increase in the safety problem, despite the determined efforts that have been directed all along the line to automobile and road safety.

Even today, America's automobiles and highways are among the safest in the world--if not the safest. According to the most authoritative figures available, the death rate measured for vehicle passenger miles

is lower here than in any other major car-driving nation. The casualty rate is close to the lowest. And the pedestrian death rate is by far the lowest.

In considering the vehicle safety aspects of the new legislation, the Senate Commerce Committee found that, "American cars, whatever their shortcomings, are among the world's safest."

Although it concluded that new emphasis on safety engineering was required, the committee reported further, "The automobile industry has made commendable progress in many aspects of automotive safety. With respect to such critical components as lights, brakes, and suspension systems, the automobile of 1966 demonstrates marked improvement over its predecessors."

Modern highways also make a significant contribution to safety. The great Interstate Highway System--built through Federal-state partnership under the direction of the Commerce Department's Bureau of Public Roads--is a dramatic example. The fatality rate on the Interstate System is under 2.8 per 100 million vehicle miles compared with a rate of 9.7 on older conventional roads in the same traffic corridors, truly a remarkable example of what can be achieved through modern highway engineering.

Thanks to Interstate Highways now open, 3,800 persons are alive today who would have been killed last year alone if they had had to travel

on conventional roads. The completed, 41,000-mile system is expected to save 8,000 lives a year. And a program of safety improvements on existing Federal-aid roads is now under way throughout the nation.

So progress has been made and is being made--in your own areas of responsibility no less than in vehicles and highways and elsewhere in the field. Today, despite an ominous rise in our highway toll in recent years, the death rate is still little more than a third of what it was 30 years ago--5.6 deaths per 100 million vehicle miles now compared with 15.9 in 1935.

Yet, all of this said, the fact remains that the grim and grisly realities of death, injury, and destruction are sadly outdistancing our best current safety efforts.

Highway accidents and the injuries and deaths they so often produce are now by far the leading form of violence in American life. They lead both in the number and in the breadth of their impact on all of our people in all walks of life.

The figures are as appalling as they are familiar:

Every 11 minutes, a citizen is killed on the road.

Counting the injured alone, our highway casualties average more than 9,000 each day, year in and year out.

Last year, almost 50,000 Americans were killed.

Since the introduction of the automobile, more than 1.5 million Americans have been killed on our roads and highways--nearly three times as many as the combat deaths in all our wars.

Over this past Labor Day weekend--as the President noted a few days later in signing the two bills launching this national safety program--29 brave Americans lost their lives in Vietnam. Here at home, 614 died on the highways.

If this accident rate is allowed to continue, one of every two Americans alive today can expect to be injured by a car during his lifetime. And both the rate and the volume of traffic are rising rapidly, along with the number of vehicles and the number of drivers.

The President's program strongly responds to this grim challenge on the highways in all its aspects.

Because this is new legislation, and landmark legislation, I thought it would be useful to review with you the primary features of these two bills.

The National Traffic and Motor Vehicle Safety Act is designed to protect the drivers of automobiles by establishing performance standards to make the vehicles as safe as our knowledge and resources can make them.

The act directs the Department of Commerce--or the new Department of Transportation after if is established by Congress--to take these actions:

First, issue safety standards for motor vehicles and components, on the basis of existing standards, by January 31 next year. Revised standards will be issued one year later. Civil penalties are provided for violation of standards in manufacture, importation, or sale of new motor vehicles after the effective date.

Second, issue safety standards for used vehicles by September 1968 after study of state standards and inspection procedures for used cars.

Third, prescribe a uniform quality grading system for tires by September 1968, and therafter include tire safety standards according to this quality grading system in over-all standards for vehicles and components.

Fourth, maintain a broadened National Driver Register of problem drivers for the use of state and local officials.

The Highway Safety Act aims to promote safer driving. It establishes the framework for Federal and state governments and

local communities to work together in improvement and expansion of road safety programs, and it parallels, in many ways, the 50-year-old Federal-aid highway program.

This is where the challenges and the opportunities for real accomplishment lie for all of you in the field of road and highway safety in every state and locality in the nation.

Not only will we be able to do the jobs that we have been doing better through the support provided under this program, but the stage will be set for exploring the new approaches, or the improved procedures, or the untried techniques, that can lead to meaningful breakthroughs on the road to safety.

Federal matching funds, on a 50-50 basis with the states, will help you expand and strengthen and improve your state highway safety programs. And 40 percent of Federal funds provided through the Governor's office in each state will go to local communities or political subdivisions within the state.

As the first step, Congress directed the Commerce Department to develop uniform safety standards in cooperation with the states

as well as private and public organizations. The standards will cover the safety field--including driver training and performance, vehicle codes and laws, vehicle registration, accident records systems, accident investigations, traffic control, traffic surveillance, highway design and maintenance, emergency services, and so on.

As in the case of the vehicle standards that will be established, these safety program standards will focus on standards of accomplishment, of performance, not primarily on the ways in which the job gets done. The states and localities--and this means you and your colleagues in police and other capacities across the country--will have a maximum opportunity for innovation in carrying out highway safety programs within the framework of these standards.

The law provides that each state must establish such a highway safety program meeting the jointly developed national standards by the end of 1968--and the hope and expectation, of course, is that most will be in operation far ahead of this deadline. If any state does not comply, Congress directed that highway safety funds as well as 10 percent of Federal-aid highway construction funds be suspended after that date.

Underpinning both of these laws--and clearly characterizing the intent of President Johnson and Congress--are research, testing, and training programs to be conducted by the federal, state or local governments. And here private and public research organizations have a major role to play in building a safer future.

Federal grants are authorized, for example, for development of improved accident investigation and reporting procedures, for study of emergency service activities, for state research fellowships in highway safety, and for education and training programs for highway safety personnel. Demonstration and experimentation projects could well be conducted in connection with these and similar programs.

For the design and the hope implicit in this Federal-state safety program are twofold--to help strengthen and bolster and upgrade existing safety programs in every state in the Union, and to find better ways to meet the grim safety challenge through the organizational and technological genius that characterize modern America.

This broad new beginning in automobile and highway safety both accepts and rejects the narrow oversimplifications that have often plagued the past in this whole area. In the complex field of highway safety, simple answers invariably produce simple failures. The oversimplifiers have been "one answer" people--whether that one answer has been driver education, improved crash design for vehicles, better roads, stricter enforcement, or what have you.

All of these and more are important factors, of course. But the recognition that there is no single solution to the thicket of highway safety problems provides an important takeoff point for a program that must achieve a high degree of coordination and cooperation to replace the carnage on our highways with sanity and safety--coordination among federal, state and local governments, and coordination within state and local governments.

We are, indeed, faced with "one problem," but we will not solve it with one answer. The problem is the end result--death, injury, and destruction on the highway. Our programs must address themselves to all aspects that contribute to this end result.

President Johnson's distinguished appointee as Administrator of the new National Highway Safety Agency in the Commerce Department, Dr. William Haddon, has defined this single problem in terms of three phases. Consideration of the safety requirements of each of these phases will underlie the work of the Agency both in establishment of vehicle and highway safety standards, and in working with the states.

Definition of a problem does not, of course, insure a solution. But we believe this three-phase approach should contribute significantly to analyzing the steps you and others can take to carry forward effective state and local safety programs.

The first, or initiation phase, is the period before a crash or near-crash. In it operate such factors as drunken or reckless driving, poor driver training, mechanical and medical factors, improper road maintenance, traffic control. Perhaps we are dealing with a persistent violator, perhaps with a driver who is improperly licensed.

In the second, or crash phase, several factors may combine to determine whether the result is injury or death. Improved crash design of vehicles can be one important factor, as well as proven safety devices in vehicles or safety helmets on motorcyclists. The result can also be affected by such items as proper crash design of roadsides, modern guard rails, shielded bridge pillars, and removal of obstacles likely to decelerate the crashing vehicle too abruptly.

In the third, or cleanup phase, the problem is rapidity and quality of post-accident response, which determines the outcome in many if not all serious accidents, as well as the requirement to clear the wreckage and guide traffic so that a single disaster does not multiply. Some aspects of this critical third phase are scarcely considered in many parts of the country, and the tragic results are death and disability.

As I have suggested, the third, post-accident phase demands considerable attention from all of us--in detecting the accident if in an isolated location, getting assistance to the scene, providing emergency care from well-trained personnel, and transporting victims to the hospital if necessary.

Plans call for exploring new approaches in the post-accident phase in a joint demonstration project now getting under way in North Carolina. Participating in the project are the Commerce Department's Bureau of Public Roads; the Department of Health, Education and Welfare; the University of North Carolina; the North Carolina State Highway Commission; state and local police; local telephone companies; local hospitals; state medical societies; and the North Carolina Department of Health.

This is the first such project. My hope is that it will be the forerunner of far-sighted safety projects in many parts of the country, dealing with all phases of highway accidents, spurred by the new Highway Safety Act.

The broad participation in this project emphasizes the team approach that must characterize our over-all programs. In the final analysis, growing communication among the federal, state, and local agencies concerned in the safety problem, and joint participation in establishing and carrying out safety activities, may be the most important single factor of all in state highway safety programs.

As police executives, you are among the leaders of the nation-wide, professional safety team that must improve our national performance in relation to each of these three phases of highway safety--in establishing and carrying out state and local programs both within your own police organizations and in conjunction with the other segments of your governments.

Specifically, the requirements of these phases translate into a vast number of individual initiatives. Many are included within your current activities. Others may not be. Recently, someone compiled a list of very general categories of action that should be covered by the highway safety programs. Some two dozen items were listed, the last one of which was, "Many more."

So the range is great and covers a broad spectrum. It includes adequate availability of first aid kits, consideration of improved accident reporting, broadened training in accident investigation at police academies, and improved evaluation and utilization of statistics.

The challenges are yours, and the spotlight will be on how you and your colleagues in every state respond to them. Emphasis will be laid on varying aspects of the total problem on the basis of local conditions. But everywhere the aim must be the same--to deal with the end result that threatens many thousands of our citizens every day of every year.

I am confident that this broad joint approach will be successful--that you in the police organizations of America, joined with the other elements of the professional safety team in your states and in the nation, will help halt the slaughter on our highways.

In this land of unsurpassed progress and undiminished promise, there is nothing we cannot achieve together. We will, together, win this victory for safety and sanity on the roads of America.

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UNITED STATES DEPARTMENT OF
# COMMERCE
John T. Connor, Secretary — Washington, D.C.

Office of the Secretary

FOR IMMEDIATE RELEASE WEDNESDAY, OCTOBER 12, 1966

REMARKS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY AT THE FIRST ANNUAL MEETING OF THE MOBILIZATION READINESS DIVISION OF THE AMERICAN ORDNANCE ASSOCIATION, INDUSTRIAL COLLEGE OF THE ARMED FORCES, FORT McNAIR, WASHINGTON, D. C., 10:00 A.M., WEDNESDAY, OCTOBER 12, 1966

I am grateful for this opportunity to meet with you this morning.

As the newest Division of the American Ordnance Association, you add a new dimension to an organization that is rich in tradition and renowned for accomplishment.

And you join an organization that demands untiring dedication to a cause that can best be described as "Peace through strength." The American Ordnance Association has never faltered in that dedication; nor has it ever failed that cause. And for that, this Nation can be grateful.

Readiness--on all fronts, military as well as civilian and industrial--this is the only, the essential posture for any great Nation in an imperfect world. It is the formula for victory, and the formula for productive peace.

We must be ready in peace for war, ready and able at all times to block the course of those who reject freedom's promise and seek to subjugate free men in order to further narrow, nationalistic goals. And we must be ready--and willing--in war to resume the work of progress in peace.

The American Ordnance Association has never endorsed, even implicitly, the cynical principle that "Might makes right"; nor has this Nation. But we have always believed that might insures the right to search peacefully for the right--the right road to human fulfillment.

Might makes rights secure. That is the principle--and the only principle--of our strength.

With this in mind, let me tell you that we in the Department of Commerce are looking forward to cooperating with you on a continuing basis. The stated objective of the Mobilization Readiness Division--"to foster and stimulate the maintenance of an alert posture for mobilization readiness on the part of industry"--is identical with the aims of the Department in this critical area of national defense.

We are concerned with the development and administration of programs and policies to make sure that our industrial community has the ability to produce what is needed for defense in the right amounts, at the right times, and in the right places. We are also and equally concerned

with communicating the nature and purpose of these programs and policies to the American people and to American industry. For to shape the will to be ready, you must have understanding.

Both of these objectives call for close cooperation between the Federal Government and the industrial and business community, and major industrial associations such as yours provide the best mechanism for that cooperation.

By working together in close consultation, we can achieve the degree of industrial readiness needed to meet the demands of any type of national emergency. I cannot impress upon you too much how greatly we value your advice and recommendations. It is only by operating in concert, on a day-in and day-out basis, that we can improve the effectiveness of our common effort.

As all of you know, the President has delegated to me, as Secretary of Commerce, the serious responsibility of establishing and operating a priorities and allocations system to support the industrial needs of national defense. These responsibilities are very similar to those assigned to the Chairman of the War Production Board during World War II, and to my Cabinet colleague, Treasury Secretary Fowler during the Korean War, when he was Administrator of both the Defense Production Administration and the National Production Authority.

This priorities and allocations system, as operated since the end of the Korean war under the authority of the Defense Production Act of 1950, has enabled us to spread the burden of defense procurement among the many sectors of the industrial community, thereby minimizing the impact on the economy as a whole and on any individual supplier.

It is this Defense Materials System and Priorities, as it is known, that has enabled us over the years, and particularly at the present time, to meet the needs of the Department of Defense, the AEC and NASA without seriously disrupting or placing intolerable stress on the functioning of our economy. It has been an important factor in helping us maintain our economic balance, while meeting our military requirements.

Our manpower and material resources are not unlimited, and it is our job to engineer the flexibility needed to satisfy the competing demands of both military and civilian requirements. That we have been able to do so without slighting either testifies not only to the wisdom of the priorities system, but also to the ingenuity and drive of the business community.

One of the ways in which we have maintained our balance and our flexibility is through set-asides. The Department of Commerce establishes set-asides of basic materials at the producer level in sufficient amount to assure fulfillment of defense needs for these materials. These set-asides serve a double purpose of assuring an adequate supply for defense needs on the one hand, and an equitable distribution of the defense load on the other.

The acceleration of defense spending during the past year has required fairly substantial increases in the set-asides for copper, steel and aluminum. The increased set-asides, of course, have the effect of reducing the quantities of these basic materials available to the civilian economy. In the cases of copper and aluminum, however, substantial releases from the national stockpile have eased the effects of higher defense procurement on the civilian sector. For the current quarter, we have established set-asides for defense needs of 18 percent of domestically refined copper and about 12 percent of aluminum.

The combination of these set-asides with the high degree of industrial activity which we are now experiencing has produced some disruptions in the civilian economy, and these may very well increase in the coming months. I do not believe, however, that these disruptions will be anywhere near serious enough to warrant the imposition of civilian controls. I believe we will be able to meet our defense needs without strain and without controls if management will simply take into account the fact that lead times for many materials and products will be prolonged, and that deliveries will be delayed for certain items in the civilian economy. These extensions of lead times and these delivery delays can be offset in large measure simply by more efficient scheduling of purchases, deliveries and production. It requires little more than a reasonable adjustment to a slightly changed industrial environment.

The current priorities system appears to be working well for all involved, and is providing a satisfactory distribution of materials and products needed for military support. But it is of the utmost importance that industrial consumers, and indeed the general public, act sensibly and moderately in their demands for materials and products.

Our resources are great, but they are not unlimited, and the planning of wise and prudent resource utilization deserves the greatest attention from each of us.

The priorities and allocations powers contained in the Defense Production Act are currently restricted for use to support defense programs. They can, however, be expanded at the discretion of the President to encompass the entire private civilian sector of the economy if he finds that defense requirements are disrupting the civilian market to such a degree as to cause appreciable hardship.

Such executive action could provide for the restriction or even the entire elimination of production of certain products, and other restrictions affecting the normal functioning of the industrial community. The President, however, does not now have legislative authority to establish price, wage, and rent controls.

I have no doubt that the President would ask for such controls and would be quick to impose allocation and priority restrictions on the civilian sector if required to support our military efforts in Vietnam and our commitments elsewhere in the world.

The President, you will recall, stated without qualification or reservation, that--and I quote--"We will give our fighting men what they must have, every gun, every dollar, every decision, whatever the cost and whatever the challenge...."

I hasten to add, also without qualification or reservation, that there are no indications at this time that such civilian controls will be needed. There is no indication now that we will not be able to give our fighting men everything they need to prosecute our cause in Vietnam and throughout the world just the way we are doing it now--without controls.

The fact of the matter is that even with the recent increase in defense spending, total Federal spending, both civilian and defense, will remain within the narrow range of 10 to 11 percent of Gross National Product that it has held to since 1955 up through the second quarter of this year, except for a short period in 1958.

That 10-11 percent level compares with the 15 percent and above experienced during the two years of the Korean war, and with the situation in World War II, when Federal spending got up as high as 42 percent of GNP in one year.

A Nation with a Gross National Product at an annual rate of over $732 billion in 1966 and a higher projected GNP for 1967, can absorb defense expenditures at a rate even higher than the second quarter's $57 billion without civilian controls.

I look upon the present inflationary trend as an operating problem, and not a functional one. I look upon it as an operating problem that is manageable, if business, labor and government, while fulfilling their respective responsibilities in the order of things, maintain a national perspective that recognizes their interdependence in all things economic.

In the short run, our immediate problem is moderating the capital investment boom that has resulted because we have been building new industrial capacity at an unsustainable rate. If Congress approves the temporary suspension of the investment tax credit, we will probably have a corrective drop in new orders for capital goods that will restore much of the balance needed for continuing economic expansion.

But let us look, for a moment, at the long run, measured in years and decades. I think that in regard to our industrial capacity, it will be seen that at this point in time we were just tooling up for a quantum leap into the future that will put the middle years of this century in the category of another age, an age of anticipation.

The middle years of this century will be seen as a time when we and the other industrial nations of the world were really still getting ready, were still building the foundation for a world in which scarcity is no longer a controlling factor of human existence, a world in which all men share a just measure of prosperity. That we have the potential to build this kind of a world is, I think, evident from what our steadily increasing industrial and technological capacity has been able to build right here in a relatively short period of history.

The most tragic casualties in any war are the lives lost just scant hours or minutes before the armistice--the lives lost just before it is finally decided that further fighting will serve no useful purpose, that more is to be gained by stopping the fighting than continuing it.

I think that this is an almost exact parallel to any war at this stage of human progress.

When scarcity was a constant in human affairs, when scarcity was an irremediable fact of life for most people of the world for as far into the future as anyone could see, wars of aggression could be rationalized by the aggressor. From his distorted perspective they could be justified.

But they no longer have any point, from any perspective. And this is the lesson of Vietnam. We are saying that there is no point in fighting there or anywhere about how to best improve the material conditions of living. No one can gain by fighting anything comparable to what can be gained by getting on with the work of doing rather than undoing the building for a better life.

We have the technological and industrial capacity to build in Vietnam the material conditions for life that will far and away surpass anything that can be won by war. And in a few short minutes, measuring time with historical perspective, the capacity will exist to do the same the world over.

We can build more today, provide more for living, than yesterday's wildest hopes thought possible. And we say to those in Vietnam who doubt our motives, we will, if you will just stop shooting.

It goes without saying, of course, that until this message is heard and believed, we are going to safeguard the hope of the future with the same great strength that has brought us safely to this historic transition period in human progress.

For there will be no future unless the forces of hope remain free and strong.

And so long as we do--and with your help we will--there is every prospect that we will win a better life for people everywhere.

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UNITED STATES DEPARTMENT OF
# COMMERCE
John T. Connor, Secretary — Washington, D.C.

Office of the Secretary

FOR RELEASE FRIDAY, A. M. OCTOBER 28, 1966

REMARKS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY TO CHICAGO REGIONAL EXPORT EXPANSION COUNCIL DINNER, CHICAGO, ILLINOIS, 8:00 P.M., THURSDAY, OCTOBER 27, 1966

I am delighted to meet again with this group of business leaders in the industrial and export heartland of America--to greet old friends as well as make new friends.

In a few moments, I will again have the privilege of presenting membership certificates to distinguished recruits for your Chicago Export Expansion Council--12 new members plus one former member returning to the fold.

We can use all the help we can get in this demanding area of export expansion, particularly when it is of such experienced and knowledgeable caliber.

So this is a welcome occasion indeed.

US Comm--DC--38301

As I look around this room tonight, I am also once more immensely impressed and proud of this great nationwide volunteer export expansion team--you here in Chicago and Milwaukee, your colleagues in 40 other regional councils, the national council, and the very constructive action committees that have been at work in recent months--one headed, of course, by your own Tom Miner.

Close to 1500 American business leaders contribute their invaluable time, energies, and good counsel as members of this distinguished and highly effective team across the country. You provide a vital bridge between government and business in this joint effort, and you make unique contributions on both ends of the span.

Here in this area, you are leaders in one of the most active, productive, and successful export communities in the world.

You and your fellow businessmen in the three states represented here tonight--Illinois, Indiana, and Wisconsin--actually export some 14 percent of total U. S. exports of manufactured products. You belong to a lakeside golden horseshoe that, including Michigan and Ohio, accounts for more than a quarter of the manufactures exported by the entire nation. And in addition, your agricultural exports are enormous.

Illinois--naturally, most of you will say--is the best in the Mid-west with the nation's second largest total in agricultural and manufactured exports combined.

But, if you businessmen of Illinois are the historic leaders, your next door neighbors have long since demonstrated the export go-ahead of this entire region by joining you in the vanguard of world trade.

As leaders in the export field, you render valuable service to every American because today, more than ever, our export trade is crucial to all of us--to individual businesses and industries; to city, state, and area economies; and to the national economy in terms of wages and profits and jobs here at home no less than in keeping the dollar strong to serve freedom and national purpose abroad.

Exports fuel progress and prosperity.

Mounting exports have been a major factor in the great expansion of the past five-and-a-half years that has meant so much to businessmen, farmers, and workers alike --and, although they may not always realize it, to every one of our citizens because of the strength that exports bring to the dollar in world markets.

Exports also help pay for the vast quantities of imports that are essential to U.S. industry and that broaden and enrich the consumer market.

Although imports have risen even more sharply in the past two years, cutting our vital trade surplus, exports still remain the central support of our balance of payments position.

Export expansion is therefore at the center of our attention as we carry forward the nation's balance of payments effort--in which, of course, the business and banking communities continue to play such a responsible and effective role in the voluntary program initiated by President Johnson last year.

Never has the job of building exports--to serve these many purposes--been more important than it is today in a time of testing for America on so many broad fronts.

And never have the challenges and the competition been more compelling. Perhaps the best measure of the competition is that today--with a record export total approaching $30 billion--having achieved an increase of almost 50 percent since 1960--our share of the world market is actually 2 percent less than six years ago.

Last year U.S. exporters set records in several countries but our share in two-thirds of major markets fell because of several factors--not least of which was the determination and skill, the productivity and the technological progress of our foreign competitors.

Obviously, a familiar slogan applies, but with a variation: Because we are number one, we must try harder to maintain and expand our share in the international marketplace. And this also means all of us.

Mounting international competition, however, is but a dimension of the burgeoning growth and boundless promise that characterize international commerce as mankind moves across the threshold of a true world community. The potential market is immense--and it has already quadrupled to more than $165 billion throughout the Free World since World War II.

This is the kind of economic pie that expands while you watch it--and challenges us to renewed effort as we do so.

If Free World trade moves ahead between now and the turn of the next century at just half the rate of the past 20 years, it will still rise to over $500 billion--half a trillion dollars in goods and services exchanged across every ocean and continent to the advantage of all the world's peoples.

Some will call this figure optimistic, some conservative. Plainly, the curve of future world trade will be a function of many variables. But it is clear that, given favorable conditions, a half trillion dollars by the year 2000 is not overly optimistic.

At present rates, the U.S. share of this staggering total could well come to $90 billion, and your projected share in this three-state area to something more than $10 billion. Our exports would have to expand by well over 300 percent before we turn the approaching corner into the 21st Century, a measure of challenge no less than opportunity for the American export community of which you are an integral part.

I have said that many factors will determine the shape of the trade graph of the future.

One very important determinant can be the Kennedy Round talks at Geneva. Despite uncertainties and some disappointments, the United States is determined to continue to work for significant, equitable and reciprocal trade liberalization before the Trade Expansion Act authority expires in mid-1967.

There is a difference between progress and success--it is a rather important dividing line--and the Kennedy Round talks have at best advanced no farther than progress to date.

But the fact is that all 43 nations taking part have made offers of varying degrees in both the industrial and agricultural sectors. Ten of the biggest trading nations, including the United States, have offered a major part of their industrial imports for the full tariff cuts envisioned at the outset, 50 percent.

However, a substantial proportion of tariff offers have thus far been disappointing, and the most difficult period of negotiation looms ahead.

The United States remains convinced that success at Geneva--in achieving equitable, reciprocal trade liberalization --holds rich promise for all of our global trading partners and for ourselves. And we will enter this period of further negotiation determined, in President Johnson's words, that "This great venture in international cooperation must not fail."

It must not fail because it holds the hopes for a better life and higher living standards for people all over the world.

Another area for potentially significant growth--perhaps most particularly with the passage of time--is in trade with the Soviet Union and Eastern Europe. Here again we recognize the variables and uncertainties. But it is clear that a large potential market can exist among these nations with their total populations of more than 300 million people.

And here again we know that a prospering trade will benefit the people of Eastern Europe. The aspirations of a family in Rumania are not materially different from the aspirations of a family in Racine. It will strengthen the prospects for peace to encourage their striving for a better life.

There has been gradual easing of non-strategic trade with some of these states in recent years, but U.S. exports to the Soviet Union and Eastern Europe have still generally been no more than 5 percent of Western European exports to this area that are running in the neighborhood of $4 billion.

President Johnson, as you know, has opened the door to fruitful development of this trade in peaceful goods. At his direction, the Department of Commerce has revised the Commodity Control List to permit approximately 400 commodities that fall into the category of non-strategic products to be exported under general license to the Soviet Union and most other Eastern European nations.

The list of goods covers a broad range--breakfast cereals, shortening, textile products, certain metal manufactures and machinery, chemical products, wood manufactures, color TV sets, certain agricultural machinery, and others. Many of the products on the list are, of course, of particular interest to you here tonight and your colleagues in this area.

For the individual businessman who deals in the commodities concerned, one result will be a decreased administrative burden. Firms will no longer be required to apply for and await possible issuance of a license before agreeing to a transaction.

For the nation as a whole, the result should be to facilitate the President's objective of expanding trade in peaceful goods with Eastern Europe that can have implications as profound in the economic as in the political sphere.

Both the Kennedy Round and this new East-West initiative fall at the diplomatic end of the export spectrum, and I thought they might be appropriate to review here tonight.

I know that you are thoroughly familiar with other parts of the picture, particularly since most of you have been personally painting away at the picture for some years.

The incisive, extremely valuable National Export Expansion Council action committee reports also deserve particular mention.

Recommendations on financing bore heavily on policy decisions by the Export-Import Bank almost before the ink was dry, and those on taxation have also been of particular interest within the Administration. On the basis of these first three action reports, and the distinguished membership on the fourth and fifth committees, we are looking forward with great interest to hearing from Tom Miner's committee on aid, trade and investment, and the committee on export promotion.

As well as focusing on significant problem areas in exporting, the action reports also focus on the broad diversity of factors involved in expanding exports.

So, too, there must be a broad range of participation and concern and action in our national expansion programs to assure that we move forward to realize the really immense potentialities that exist and will continue to grow in the dynamic world market.

We need the best combined efforts of government at the federal, state, and local levels joined in strong creative federalism;of labor; and, most of all, of business led by knowledgeable professionals such as yourselves.

For in the final analysis it is business that delivers the goods to the marketplaces of the world--and I am confident that American business will continue to do so in mounting volume as world trade reaches and then surpasses the half trillion dollar mark in its service to the human family.

We can do this job--and in fact must. For as President Johnson has said, "There are few tasks that are more important for the future of this country."

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UNITED STATES DEPARTMENT OF
# COMMERCE
John T. Connor, Secretary — Washington, D.C.

Office of the Secretary

FOR RELEASE AT 1:00 P. M. FRIDAY, OCTOBER 28, 1966

ADDRESS BY SECRETARY OF COMMERCE JOHN T. CONNOR
PREPARED FOR DELIVERY TO THE EXECUTIVES' CLUB OF
CHICAGO, PICK-CONGRESS HOTEL, CHICAGO, ILLINOIS,
1:00 P.M., FRIDAY, OCTOBER 28, 1966

I always welcome a chance to visit Chicago.

If anybody wants to see America in action, this is where the action is.

This is America, right here, in all its wonderful and dazzling diversity. The driving forces of the American dream are nowhere more evident.

Of course, you can never really catch up with a dream, any dream. But the grander it is, the harder you try--which is why Chicago and the Nation are always going to be on the move, always straining against the harness of possibility--always in the lead.

US Comm--DC--38302

Industry seems to never rest here, and you can almost sense the surging of Chicago's fabled energy, striving, as it always has, as it always will, to forge the future in the shape of its dream; and to make it good enough and prosperous enough to fulfill everyone's hopes and satisfy everyone's needs.

That is why the business leaders of Chicago are looked to for leadership, and envied for their enterprise and their accomplishments.

But the roster of your membership, and the scope of operations of the companies you represent, indicate that, for all the advantages of your home base, your interests lie far beyond the reaches of this city, or this state, or this region. And this is as it should and must be in an economy as interdependent and interrelated such as ours today.

No region is insulated against, or isolated from the other any more. All are intimately linked because all are integral to the functioning of the national economy, and all are affected by it.

I think most businessmen realize this today, regardless of the size of their operations. And the national economy is very much on their minds these days, because it is at times like these that its impact is most strongly and directly felt, and when concern for its future course runs highest.

Frankly, to me, this concern is one of the most welcome and reassuring signs on the economic horizon.

It is a sure indication that businessmen are keenly aware of the present situation and are ready to do their full part in helping to achieve order and balance in the national economy--a prime requisite for continued healthy growth.

Certainly this task needs your help. It needs more than your help--it needs your leadership. In my private opinion, it needs the leadership of the business community even more than that of government, more than organized labor. It will take the cooperative effort of all three, but the challenge inherent in the American free enterprise system today--as it was yesterday and ever since this nation was founded--is peculiarly a challenge to businessmen. If this situation ever changes--if this primary responsibility ever becomes government's or labor's--we will no longer have the free enterprise system as we have known it. We will then have something else--a state-controlled economy or some other rigid, planned economic system that can progress only at a snail's pace and deprive our people of their many hopes for the future.

I think it is vitally important, therefore, that businessmen see today's challenge in clear perspective, and that they know what is required of them in order to help further extend the healthy economic growth of the past five and a half years. And even beyond this, I think that we need to grasp the full meaning of the present situation in its relationship to the preservation of the economic system that has brought more benefits to more people than any other system ever devised

As background on the great "sea change" that has taken place in the economy lately, let's review briefly a few of the principal factors that influenced it.

You will recall that early in 1965 we were wondering whether the personal and corporate tax cuts enacted in 1964 hadn't about run their course as a stimulus to economic growth. And we were generally looking for somewhat slower, but nevertheless sustained progress during the last half of '65 and on into 1966.

Then, suddenly, during the first half of 1965, the Communist challenge in Southeast Asia assumed proportions that were truly formidable. South Vietnam was threatened with almost total internal collapse, and there were very real fears that aggressive policies of terror and intimidation were about to claim another victim for Communism in a vital area of the world.

In August of that summer, President Johnson took the hard decisions necessary to meet this challenge, and he pledged men and material sufficient to carry out our long-standing commitment to assist the forces of freedom in that area.

What the total requirements would be no one knew at the time--indeed, we do not know today, and can't know until peace comes once again to that tragic and troubled area. But the impact of our commitment gradually began to be felt in the economy. For the third time in a quarter of a century, the Nation's economic pulsebeat quickened to the sound of war--and this time in concert with the high demands of our surging prosperity.

And some of the familiar economic trappings of war slowly began to appear, one after another, as the weeks and months passed.

First in the line of march came increased demand from the military. Since July of last year, national defense purchases have risen over $10 billion at an annual rate. And the backlog of orders for defense products have increased 32.2 percent.

Industrial production rose to meet it. The index has risen 10 percent.

The manufacturing capacity utilization rate has gone up from 90 to 93 percent.

As business sought to fill the backlog of orders, plant and equipment expenditures rose over 20 percent.

Employment climbed 1.7 million. The rate of unemployment fell from 4.5 percent to 3.8 percent. Shortages of skilled workers in many lines began to appear. Government training programs were stepped up to supplement those of industry.

Gross National Product has gone up $73 billion or nearly 11 percent.

And we have been experiencing real shortages of some strategic raw materials--aluminum, copper, tungsten, nickel, and others. To relieve them, we have disposed of some surpluses from the national stockpile. In a few cases, such as copper and cattle hides and skins, export controls were imposed, although Congress has just decreed the decontrol of cattle hide exports in a rider to the Commerce Appropriation Bill.

To all of us who lived through World War II and the Korean War, it began to look like the same old parade of problems. And in the background now and then we could hear the beat of an old and familiar melody, "The Inflation Blues."

Now you will recall that early this year the Government recognized the possibility of inflationary pressures created by the sudden increase in demand. President Johnson conferred at length on the proper measures that Government should take, including the possibility of an increase in corporate and personal income tax rates. It was decided, however, that the signals of the day indicated less drastic moves, and in his State of the Union message in January the President recommended the restoration of certain excise taxes, an increase in the withholding tax on personal income, and a speed up in corporate income tax payments. Congress very shortly approved all these proposals. Together with other measures, a total of $10 billion in excess purchasing power was removed from the economy this year. And you are fully aware of the Federal Reserve Board's strong actions in the monetary area this year.

Although there have been some mixed signs in the economy during the year, such as a lower rate of auto sales in the second and early third quarters from the high first quarter, and a decline in private housing starts, overall demand has continued strong, resulting especially from a continued rise in defense orders, consumer buying, and heavy capital outlays for plants and equipment.

And as might be expected all during this period, prices have reacted to the generally tight supply-demand situation. The consumer price index in September was up 3.5 percent from the September 1965 index, and that will probably be the figure for all of 1966. The wholesale price index in September was up 3.7 percent over September a year ago.

The President also took further action to moderate demand in the capital expenditure area by proposing a temporary suspension of the 7 percent investment tax credit and the accelerated depreciation on commercial buildings, and the Congress has approved of a law reflecting that kind of moderation of the overheated private capital expansion program.

The President has also committed the Administration to a $3 billion reduction in Federal expenditures--a move that I know will be welcomed by every businessman because nearly all of you agree that fiscal and monetary policies must be the first line of defense in an inflationary situation.

I would say that this brief review just about brings us up to date. Inflationary pressures are still with us today and will probably continue into next year. The situation in Vietnam will require a continuation of substantial defense spending, at least through the middle of 1967. But we can expect to see a moderation in the plant and equipment outlay boom, as productive capacity is increased as a result of investments already made, and as the suspension of tax incentives comes into play.

Now what does all this mean to the American nation, to our economy and to our prospects for continued growth? What does it mean to the indivi-ual businessman operating in the competitive marketplace? What kind of plans should he make for the future?

As we all know, the answers to these questions have been sought in many different interpretations of recent events--and they reflect widely differing opinions. Most people, however, simply admit they don't know all the answers. This is an admirable position, I think, provided we maintain confidence in our proven ability to deal positively with the shifting elements that emerge during this uncertain period.

Uncertainty is one of the necessary elements in the free enterprise system. While stability is a prime requisite for the long-range plans and the capital outlays required for economic progress, the deadening hand of so-called "certainty" exists only in state-controlled economies. The actual results, of course, turn out to be far from "certain," as the faltering state-controlled economies have proved lately.

Our greatest concern at the moment centers on cost and wage pres-sures in the national economy. A correct analysis of this factor can go a long way toward answering our questions about our future course and the plans businessmen should make.

Now I can get as worried as the next fellow over inflation. But I do think that we must be careful to view the price and wage rises of recent months in their true light. They were the result, purely and simply, of a classical supply-demand situation. There were tight supplies of goods--and prices rose. There were tight supplies of labor--and wages rose.

Moreover, of the price rises, some of the most pronounced were the result of factors that had nothing to do with increased military demand. One involved food, caused largely by temporary situations, and the other came in the area of services, particularly medical, hospital and educational services.

But beyond these special situations, how should we regard the overall wage-price developments of recent months? Should the fiscal powers of government have been used earlier in an effort to prevent them?

There is much debate on this point, but I think we must first ask ourselves whether it is wise policy to attempt to isolate the American economy from all the natural forces of economics. The law of supply and demand, I would say, is exceeded in age on this earth only by the law of gravity, and although it hurts to trip and fall down sometimes, this is far preferable to never having contact with the ground--and reality--at all. Gravity, remember, also conditions our muscles so that we are able to maintain our balance.

I think we need to remember that the law of supply and demand is a mechanism that helps to stabilize, helps to maintain order in any economy.

Is it wise to try to insulate the American economy completely from all the natural laws of economics? Do we want a "hothouse" economy that must be sheltered from every wind, every disturbance, every change in temperature and climate? Do we want to try to shield it, protect it, from all natural economic forces within our own borders and ultimately the entire globe?

Well, first, I don't think we can--not permanently, anyway. Sooner or later the artificial nature of our economic environment would become apparent to all, and the more gadgets we tried to add to the control mechanism, the more there would be to get out of order. Somewhere, sometime, one single little screw would come loose, and the chilling blasts of the actual world would be inside before we could say Jack Rabbit.

But even beyond this, you know and I know who would set up and operate this control mechanism of the "hothouse" economy: Government. Every businessman and every worker would be regulated to the nth degree by a bureaucracy that would stifle initiative, turn us all into drones, and end once and for all the economic freedom that has brought the American people the highest standard of living the world has ever seen. Business doesn't want this, labor doesn't want it, and President Johnson has made it clear that he doesn't want it.

The choice before us is plain: Do we want a planned, rigid, and contrived economy, or do we want one that maximizes freedom?

I think we should view the wage-price rises we've experienced so far in terms of the alternatives. If they were the precursor, of course, to really serious imbalances, that would be a horse of a different color. Government must, and will, take the proper fiscal and monetary steps to dampen the fires of excessive demand. I have voiced my support of such moves many times, and when and if I think the situation warrants such action, I will not hesitate to suggest again that further moves be made. Government must always use its powers with great restraint, but it is one thing to use its powers to lessen the impact of truly formidable economic forces, and quite another to try to shelter the economy from every wind that comes along. I think we'd be making the mistake of our lives to even try.

As to whether the government should take further fiscal action, I regard this certainly as an important question. But I also think it is a technical one. Far more fundamental than <u>any</u> technical question before us, I think, is whether business, labor, and government are going to continue the fruitful partnership that has been basic to all our gains in these past few years. This is the <u>real</u> basis for our progress, and the <u>only</u> one that is going to enable us to continue that progress. If we are going to abandon this fruitful relationship in favor of the old cat-and-dog approach in which <u>everybody</u> gets chewed up, the technical questions involving the economy need not even be asked. Because <u>no</u> answer could produce the desired

results. And before we knew it, we'd be right back in the mudhole of stagnation, slow growth, inflation and recession that characterized much of the 1950's. Nobody wants to go back to that kind of a hot-and-cold running economy.

What is the meaning in all this for the individual businessman who recognizes and seeks to live up to the multitude of responsibilities that come his way from every point on the economic horizon--from the private sector: his customers, his employes, his stockholders, his suppliers; and from the public sector: his community, state, nation and the world community itself, of which we are all a part today? What course should he follow, how can he best contribute both to the continued operation of a successful business enterprise and to the effort to restore equilibrium in the national economy?

I am a firm believer in the old adage that the best expert on a man's business is that man. But let me make just one suggestion that I think can be applied almost across the board in industry.

In the past 5-1/2 years of economic expansion, American business has spent over $340 billion on new nonresidental structures and equipment, and this has resulted in the greatest surge in new productive capacity in the Nation's history. Many of the plant layouts and much of the equipment have been new and strange, embodying the enormous scientific and technological advances of the postwar era. During the design stages of new projects, very wide production margins for critical equipment are included.

Actual performance can often be much higher, without violating any of the safety precautions.

In addition, the race to produce has caused much equipment to be installed very rapidly, and by workers only recently trained. Many of the people who operate and maintain the new machines are also new in their particular assignments. The peak of efficiency for the organization as a whole is still far off in many of these new setups.

I think you can see what I am suggesting: that the potential for increased productivity without further plant and equipment investment is very substantial, especially in the plants built in recent years. And that if new efficiencies can be effected, businessmen will have taken a giant stride toward offsetting any profit squeeze that may come along; and at the same time will have struck a heavy blow against the inflationary forces that arise from inadequate supplies to meet the demand. Needless to say, management must have the cooperation of labor to effect efficiencies in production, but it is management's responsibility to initiate such moves. Extraordinary resourcefulness is required to carry out such cost-cutting projects, but there are many studies to indicate that technological progress is a form of learning. Practice makes perfect. We can not only do something better the second time, we can continue to improve each succeeding time by trying harder.

Undoubtedly most of you are already doing this because it's vital to maintain an adequate profit position in the face of rising labor and other costs.

But even greater emphasis on a stepped-up drive by industry and labor to increase productivity at this time would benefit each individual business, help assure our continuing ability to compete in foreign markets, and go a long way toward restoring equilibrium in the national economy. Even more, it would help keep America on the strong forward course it has followed the past five and a half years. And I count the ability of American businessmen as one of those natural economic forces that power the forward drive not only toward prospertiy, but toward the fruition of the dream we all dream, that all men dream, in America, in South Vietnam, in North Vietnam.

The engineer drives the train that gets people where they want to go; the businessman drives the economy that makes the train possible that gets people where they want to go. And the destination is a better life--not just a tolerable existence, but an enjoyable one.

There is much discussion these days about the ability of our special kind of unfettered economy to provide a prosperity expansive enough and extensive enough to satisfy the needs and hopes of all people. Can we stretch our competitive self interest that far?

In answer, I can only say that we have extended it--without straining--through a continent. I say let the other countries of the world test, not so much our reach--for that is limited always by human possibility--but test

the principle of our reach, the exercise of freedom that conditioned and made our reach possible.

I don't think there is any more effective method for organizing the efforts and the energies of men and machines for the fulfillment of human aspiration.

That is your job and mine. And that is what we are talking about when we dicuss the vitality of the national economy.

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UNITED STATES DEPARTMENT OF
COMMERCE
John T. Connor, Secretary Washington, D.C.

Office of the Secretary

FOR RELEASE AT 11:00 A. M. MONDAY, OCTOBER 31, 1966

REMARKS BY SECRETARY OF COMMERCE JOHN T. CONNOR PREPARED FOR DELIVERY BEFORE THE NINTH PERMANENT EXECUTIVE COMMITTEE MEETING OF THE PAN AMERICAN HIGHWAY CONGRESSES, PAN AMERICAN HEALTH BUILDING, WASHINGTON, D. C., 11:00 A.M., MONDAY, OCTOBER 31, 1966

It is my pleasure, on behalf of the Government of the United States to welcome this Permanent Executive Committee of the Pan American Highway Congresses to our nation and our Capital City. May I express a personal wish that your stay may be a pleasant one.

Let me assure you of our desire to be cooperative and helpful in the work of your Committee.

Your valuable endeavors toward unifying the Hemisphere through the Pan American Highway System have already reaped great benefits for the peoples of both continents and contributed significantly to the solidarity and common cause that holds so much hope for the future.

The United States has always been among the most enthusiastic supporters of the idea of a Pan American Highway network. This unparalleled system of overland communications, impressive in its potentialities for the economic and social development of the Western Hemisphere, is surely approaching realization.

US Comm--DC--38308

Its major sections are the Alaska Highway through Canada and other Canadian roads, the United States network of motor roads, the old and new lines in Mexico converging on Mexico City and continuing on south to Guatemala, the Inter-American Highway through Central America, and the steadily improving roads of South America as far as Chile, Argentina and Brazil. It is no longer a dream but a reality within the grasp of those of us who are living in this moment of history. With the exception of the difficult Darien Gap in Panama and Colombia, the completion of this great road system is in sight.

You are engaged in a vital work in advancing the economic and social development of the Americas through highway transportation. Each of the countries represented on your Committee should be complimented on its endeavors in this respect. May I express appreciation and recognition of your accomplishments to each of the member countries: Argentina, Brazil, Colombia, Panama, Peru, Uruguay, Venezuela and Mexico, which along with the United States are looking to the day that our continents are joined by a road that promises to one day be the world's greatest.

In the United States we have consistently improved our own highways and have thereby made possible many transportation links with our neighbors both to the north and the south.

The United States has worked consistently to aid in the completion of the Inter-American Highway through the Republics of Central America in order to provide a link between road networks of North and South America and produce a chain of economic activity that will benefit all the people of all the nations. Some of you participated in the historic "Motorcade" which opened your Ninth Pan American Highway Congress here in Washington three years ago. Since that journey from Panama to the United States the road traffic has increased many fold and the economic gains of the countries along the route are flourishing. We need no better example of the advantages of the Pan American Highway System to strengthen our efforts toward completing the integration of all of this Hemisphere by highway.

I myself have gained a personal insight into the advantages of the inter-continental system from the man who perhaps is best qualified on the subject--Romulo O'Farrill, who has served with great distinction as permanent chairman of the Pan American Highway Congresses. Last July Mr. O'Farrill took me on a guided tour over one of Mexico's very modern roads from Mexico City to Puebla, and one need go no further to perceive the role that transportation can play in fulfilling many of the dreams and aspirations of the Americas.

I am glad to say that the Government of the United States is not alone in its enthusiasm for the Pan American Highway System. All of the nations

of the Western Hemisphere have maintained a great interest in the project, and have translated this interest into definite plans and programs. Through the Pan American Highway Congresses the nations of the Western Hemisphere have provided a channel of consultation and joint planning. Through your own efforts, progress in the development of a Pan American Highway System has been rapid. Your activities have provided a lesson in international cooperation, an outstanding example of how international understanding and good will can result in the completion of transportation facilities of benefit to all. I sincerely hope that all of us here today will be able to be present when the final link in the Pan American System is complete, and highway transportation will connect all our countries.

In looking over the agenda, I have noticed that an important part of your work here this week will have to do with the "Tapon del Darien"-- that final section of Panama and Colombia to be traversed for the fulfillment of your primary goals. The surveys, which we all helped to finance, are nearing completion and the realization of this linking highway no longer appears so formidable.

I hope that your deliberations this week at these highly important meetings will help towards the early realization of this goal to which we all aspire. It has been a difficult goal to achieve largely because of the obstacles of nature and the amount of resources necessary. But these difficulties are

being minimized by the spirit of cooperation of the American Republics, their enthusiasm to get on with the work, and their realization of the great benefits to be gained from improved international highway transportation in the Americas.

As you know, most of the transportation responsibilities of the Department of Commerce, including the Pan American Highway, will soon be transferred to the newly created Department of Transportation. I know you will find, in this great new executive department of our Government, a full measure of cooperation in your vital undertaking.

Because the concern of the new Department will focus exclusively on transportation, it will be able to launch an intensive and expanded effort to solve the problems and enlarge the opportunities of highway transportation, not only in this country, but throughout the Americas. Their research activities will be especially exciting and productive, and I am certain that the Pan American Highway will reap generous dividends from them.

But I can assure you that although Commerce is relinquishing its direct responsibilities in the highway field, our interest will not diminish. As the slogan of the 1963 Pan American Highway Congress stated, "Nations Grow Where Highways Go," and we in Commerce are intimately involved in fostering economic growth throughout the Americas.

We will be watching your progress with great interest, and we will continue to work together, perhaps not on roads themselves, but at those terminal points where roads go--and growth begins.

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