

PREFACE

A 10th of the Nation's productive facilities are employed in the maintenance of national security. Seventy percent of all men and facilities engaged in research and development in the United States are working on Government-financed projects. Thus, the defense effort obviously has a significant impact on the economy of the Nation. Some of this impact has been beneficial to the civilian economy: many innovations developed in defense work have been adapted for use in private industry and have stimulated progress in science and technology.

But, your subcommittee's hearings and report have shown that shifts in defense spending from one region of the country to another have created a significant number of our distressed areas. The cities that received large increases in defense contracting often experienced a resultant overload on their public facilities, housing, and labor supplies, while areas which lost defense contracts sometimes encountered exactly the opposite type of problems—labor surplus, housing surplus, and so on. For instance, one major community in southern California now has over 80 percent of its productive facilities devoted to defense and space work. Therefore, the loss of a small number of contracts has understandably created major unemployment problems in this community on several occasions. The difficulties which such an area would face in the event of overall defense cutbacks would be awesome.

In the early 1950's, missiles and electronics goods began to require an increasing share of defense moneys, while automotive and ordnance purchases declined. At that time, the creation of distressed areas through the changing pattern of defense spending and the consequent overconcentration of defense production in certain regions could have been foreseen. Yet, there was no Government agency or official charged with alerting the Nation to these impending problems. Had preventive action been taken at that time, economic dislocations which have sapped the strength of the Nation and impoverished many areas might have been largely avoided. If the recommendations of this report, which seek to encourage defense spending in distressed areas, had been enacted in the crucial period of the early 1950's, not only might there have been fewer new distressed areas created, but many of the older distressed areas might have received material assistance.

The shift in the geographic location of defense spending is only one of the forces changing the shape of our economy. Automation, for example, will have an even more profound and long-lasting impact on the economy. The American people and their Government must anticipate such trends and respond to them with positive action.

One of the recommendations of this report is an increase in the responsibilities of the Office of Emergency Planning. The Office of Emergency Planning would be empowered to make long-range studies of the changing structure of our economy and to offer consequent suggestions to industry, labor, and Government. Policies adopted through the cooperation of the private and public sector, could then lead to a more balanced and healthier pattern of economic growth.

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