

## IMPACT OF DEFENSE SPENDING ON LABOR-SURPLUS AREAS

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*Economists tell us that an unemployment rate of 6 percent is the danger signal. When a community passes that point it is officially regarded as an area of "substantial labor surplus." If it remains there it is entitled to special Government help through defense procurement and other programs.*

JOHN F. KENNEDY.

CHARLESTOWN, W. VA., September 19, 1960.

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### I. INTRODUCTION

On August 29, 1962, the Subcommittee on Retailing, Distribution, and Marketing Practices, of the Senate Select Committee on Small Business, held hearings on the impact of defense spending on labor surplus areas. Specifically, your subcommittee studied shifts in Government spending as both a cause of and a possible relief to distressed areas. Senator Hubert H. Humphrey, cochairman of the hearings, discussed the extent of the problem as follows:

According to most recent Department of Labor figures, there were 517 areas of substantial and persistent unemployment existing in May of this year. The 20 million people of these areas work and do business under extremely adverse conditions. Over 9 percent of their 8.9 million man-laboring force is unemployed, with little prospect of finding work in the extremely tight job markets. The economic growth and progress of these areas is hampered by lack of capital, and thus is considerably slower than that of the rest of the Nation. Businesses are discouraged from entering these areas because the tax base has been jeopardized. \* \* \*<sup>1</sup>

According to one witness, Seymour L. Wolfbein, Director, Office of Manpower, Automation, and Training, Department of Labor—

High rates of unemployment have persisted in some communities through periods of prosperity as well as recession, reflecting such factors as shifts in the pattern of consumer or business demand, changes in technology, depletion of natural resources, and migrations of the population.<sup>2</sup>

Areas of persistently high unemployment are more than geographically concentrated manifestations of national recessions; rather, these areas are afflicted with a disease as debilitating to their local economies as the depression of the 1930's was to the Nation.

The existence of labor surplus areas is a problem of major importance to the entire Nation. The 20 million Americans living in these areas experience the hardships of a major depression. Moreover, the Nation cannot call upon the unused productive resources of these areas in defense and other efforts. Their existence depresses the Nation's

<sup>1</sup> Hearings, "Impact of Defense Spending on Labor Surplus Areas," Select Committee on Small Business, U.S. Senate, Aug. 29, 1962, 87th Cong., 2d sess., p. 8.

<sup>2</sup> Hearings, p. 43.