

stallation in small labor market areas. I am distinguishing defense installation for contracted defense procurement. High defense dependency in the smaller areas generally does not arise because of employment by defense contractors—but because of civilian employment in defense installations.

There are, I believe, three implications from this analysis for transition problems:

1. The number of areas and the number of employees in labor markets with a high ratio of defense to total employment is relatively modest. (The December 1966 data, however, will probably show a larger number of areas with high-defense dependency, since defense employment rose significantly between June and December.)

2. The problem of transition will be concentrated in a limited number of smaller labor market areas.

3. The impact on the localized transition problem of reductions in defense procurement will be much less than the impact of reductions in the size of the Armed Forces and the installations to which they are attached.

Let me turn now, if I may, to Federal programs to aid in the transition:

The economic dislocation which comes to a local area because of a reduction in defense-related employment is similar to the dislocation which occurs when shifts occur in private demand. Local unemployment and economic distress are equally severe whether they occur because of the closing of an automobile plant or the closing of a military base.

We are in a much better position today to cope with such problems than we were 5 or 6 years ago. Existing Federal programs have been strengthened and a number of new programs have been developed which are designed to aid in the economic development of communities. Although many of these programs were initially conceived as aid to chronically depressed areas, they have been used successfully and in a coordinated way to aid communities which had to reorient employment and production because a major industry ceased operation. South Bend, Ind.; and Lisbon Falls, Maine; are the primary examples of successful transitions following the shutdown of private firms. Presque Isle, Maine; Greenville, S.C.; Decatur, Ill.; York, Pa.; and Ogden, Utah; are examples of successful transitions following the closing of Government installations. In Presque Isle, Maine, for example, there were 1,200 military and 275 civilian jobs at the Air Force base before it was closed in 1961. Now there are more than 2,000 civilian jobs in their place.

In York, Pa., when the naval ordnance plant was sold, 95 percent of the civilian personnel elected to remain with the corporation which purchased it and since the sale, civilian employment has increased by 60 percent.

In Ogden, Utah, the former naval supply depot was declared excess; 636 acres and 149 buildings were sold to private industry for \$6.3 million. As a result, the Navy saves almost \$5 million per year, new jobs have been created, and the facility is back in productive use in the civilian sector of our economy.