ECONOMIC EFFECT OF VIETNAM SPENDING

WEDNESDAY, APRIL 26, 1967

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The joint committee met, pursuant to recess, at 10:15 a.m. in room 318, Old Senate Office Building, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senator Proxmire and Representative Griffiths.

Also present: John R. Stark, executive director; and Daniel J. Edwards, staff economist.

Chairman PROXMIRE. The Joint Economic Committee will come to order.

Gentlemen, we are delighted to have you with us this morning. We are most impressed by your qualifications.

Our discussion this morning will be on the current and past impact of the Vietnam war. Our first witness, who will speak on the impact on firm and industry, is Mr. Robert W. Eisenmenger, vice president and director of research, Federal Reserve Bank of Boston. Mr. Eisenmenger.

STATEMENT OF ROBERT W. EISENMENGER, VICE PRESIDENT AND DIRECTOR OF RESEARCH, FEDERAL RESERVE BANK OF BOSTON

IMPACT ON FIRM AND INDUSTRY

Mr. EISENMENGER. Thank you. I have been asked to testify this morning about fluctuations in military spending for Vietnam and their impact on firms, industries, small isolated communities, and large metropolitan areas. I imagine I was invited because the Research Department of the Federal Reserve Bank of Boston has supported numerous studies which analyzed the impact of various defense closings on local communities in New England. In addition, I have recently written a book which discusses the problems of economic adjustment in New England since World War II.

As most of you probably know, with the exception of the coal mining areas and some of the depressed agricultural areas, primarily in the South, probably no major section of the country has experienced such a radical transformation of its economic base in the last 20 years as has New England. When World War II ended and outmoded machinery was no longer needed to satisfy swollen wartime demand, the region's antiquated textile industry collapsed and laid off 180,000 employees over a period of 15 years. In many metropolitan areas unemployment was serious. For example, during 1948 the unemployment