

The expansion, or, respectively, the contraction of the levels of output, and the corresponding levels of employment in all the different industries shown in the bar chart on Exhibit 3a, can be expected to occur if Alternative 1 were chosen, *i.e.*, if the resources released from military use were devoted entirely to an increase in private civilian consumption and investment.

The bar chart in Exhibit 3b depicts the corresponding picture if Alternative 2 were realized.

Without entering into detailed analysis of these figures, I can only observe that in either case, the cutbacks will be large and concentrated in a few industries—such as, Ordnance, Aircraft, Communication, Electronic Equipment—while the expansion will be spread much more widely and distributed more evenly. This is explained by the fact that military demand is concentrated on a relatively small group of specific items, while private civilian demand is spread all across the board. For the same reason, the expansion will be less even, that is, it will be concentrated in a smaller group of industries under the second of the two alternatives: Employment serving directly and indirectly the demand generated by public needs—such as, education, health, or road building—not unlike that generated by military spending, is concentrated on a small number of goods and services.

Exhibit 4 completes the picture by showing the distribution of new jobs created and old jobs lost among the different regions. On the schematic map of the United States, two small bar charts are inscribed in each of the 19 regions, one corresponding to the first and the other to the second of the two alternative allocations of resources released through a \$19 billions cut in military procurement. The bar extending up from the base-line represents in each instance the additional employment opportunities created in the industries that can be expected to expand in that particular region; the bar extending downward measures the number of employment opportunities lost in industries expected to contract in the same region. The difference between the two obviously represents the net regional loss or gain in employment opportunities.

Time does not permit me to interpret in detail the resulting picture region by region. A general pattern seems to be emerging very clearly: The "heart land," that is, the central area extending from the Great Lakes to the Rockies will in either case experience a net gain in output and employment, while the regions adjoining the western, southern, and eastern shores, from California to New England, will show losses in output and employment opportunities. It is in these areas that remedial action will be called for to mitigate the effects of potentially rising unemployment.

In judging the significance of the small percentage figures in Exhibits 3 and 4, we should remember that the average rate of unemployment for the American economy as a whole stands now below 4%. Thus a net increase of 3.7% shown under Alternative 1 for California, should be considered so perilous as to call for drastic action. In this connection, it is interesting to note that in Alternative 2, with higher priority given by public than to private civilian consumption, the dislocation of the employment pattern would be markedly smaller than under Alternative 1, under which all military savings would be passed to private civilian spenders. In any case, the structure of government spending does not exhibit the rigidity characteristic of private sector purchases, and it is clear that government programs could be adjusted with the objective of reducing sectorial and regional employment shifts to a minimum.

In conclusion, I call your attention again to the preliminary nature of all the figures presented in this statement. Considering the magnitude of the economic shifts which were described and the importance of the social problems which will be created or solved, substantial additional research in this general field, not only by private, academic groups, but by the government itself seems to be warranted. Some of this research has been recently initiated by such agencies as the Bureau of Labor Statistics in the Department of Labor, the Input-Output Unit and the Economic Development Administration in Commerce, as well as by the new Department of Transportation.