

it is the industry and regional patterns with their community industrial location overtones that appear to be the significant problem.

One influence neglected in the impact discussion so far has been the role of noneconomic factors. Political elements in defense prime contract awards have probably had some influence in setting the industrial location pattern of defense industry along with economic factors. Sub-contracting, on the other hand, undoubtedly reflects economic factors to a heavier extent.³⁷ Military strategic considerations have also played a role, of course. These considerations imply that where noneconomic factors have been significant in prime contracting, termination of these contracts may more seriously dislocate local industry than otherwise.

But from a purely economic viewpoint, the resource-impact effects of shifts in government demand for defense goods are indistinguishable from the effects of changing civilian demand for various products and services. If there is anything distinctive, it is the abruptness and relative magnitude of defense contract cancellations as compared to the gradualness of changes in civilian demand and the possibly lesser free-market competitiveness of production facilities utilized for defense purposes.

If national security considerations permit, a reduction in defense spending is clearly desirable. Society will benefit from having the resources presently employed in defense production shifted to producing more and better producer and consumer goods.

But what is the state of regional development plans that might serve to ease the transition from defense to nondefense activity?

PLANNING FOR READJUSTMENT

A study of such programs by the Committee for Economic Development (CED) revealed that privately financed expenditures on economic surveys were \$127 million and public expenditures were \$93 million in 1957. Yet, according to this study, local economic development is still in its infancy, and more money is being spent on promotion than on research and planning for better resource use. There is some evidence, though, of replacement of the time-honored industrial development approach by multipurpose, comprehensive programs.³⁸

A recently completed three-year study of the Pittsburgh metropolitan area indicates the scope and type of undertaking likely to produce results useful for regional development and economic growth of the kind implied in the CED study. As described by Professor Edgar M. Hoover of the University of Pittsburgh, the study director, the project is "in process of being translated into programs of action by appropriate agencies in the community."³⁹ Some of the more significant findings of the Pittsburgh study were:

1. The area's steel industry is overgrown relative to current comparative costs of delivered steel.
2. As a result, Pittsburgh steel mills must absorb more of transportation costs to compete at points of consumption with newer plants of competitors.
3. Compared to other industrial regions, Pittsburgh suffers from a relative lack of service industries.
4. The area has certain structural handicaps to new industry: the dominance of a few large firms providing their own services and a tendency for these firms to export capital to other areas.
5. Similarly, the area is handicapped by the export of industrial research findings to distant plants of the industrial giants located in Pittsburgh.
6. Industrial wage levels have been high compared to other regions, but service wages have been low.
7. Utilization of women in the labor force has been consistently low.
8. Unemployment has been chronic and above the national average.

Certain characteristics of the Pittsburgh metropolitan economy stand out when contrasted with the findings of the New York Metropolitan Regional

³⁷ Murray Weidenbaum has estimated that about half of prime contract work is sub-contracted: "Measuring the Economic Impact of Defense/Space Expenditures," a paper presented in Denver, Colorado, October 20, 1964 (processed), p. 3.

³⁸ Donald R. Gilmore, *Developing the "Little" Economies*, Committee for Economic Development, New York, 1960, "Summary," pp. 11-26.

³⁹ *The Nation's Manpower Revolution*, op. cit., 1963, Part 7, p. 2375.