

we are bound to understand that the ultimate questions of social and economic justice underlying all prospects for world or local peace cannot be answered by firepower. American values and American hopes depend ultimately not on the answers that come out of the barrel of a gun but out of a steady commitment to demonstrate their worth and their relevance in the daily lives of people.

We have temporarily forgotten that invaluable truism. Let us come back to its saving truth. Let us do what has to be done to make our Nation and our people whole. Our prime concern is not our balance of payments but the balance between our capabilities as a democratic society and our efforts to realize those capabilities within the Nation, where our writ runs without hindrance and our responsibility is therefore absolute.

UNITED MINE WORKERS OF AMERICA

By W. A. BOYLE, PRESIDENT

We appreciate the opportunity to present our views on the Economic Report of the President and the Report of the Council of Economic Advisers.

This year we would like to confine our remarks to four general areas:

1. Wage-price restraints.
2. Governmental fiscal policy.
3. International trade.
4. Research and development.

WAGE-PRICE RESTRAINTS

Over the past several years the question of wage-price control measures has appeared in much of the economic literature. The President himself has added to this literature in his periodic messages on the subject and through the Council of Economic Advisers.

The thrust of the concept as advocated by the President and the CEA is that restraint on the part of business and labor is necessary if we are to avoid a wage-price spiral. Following this line, a strong suggestion is made that national productivity should be the guiding limit on wage increases and that companies should refrain from unnecessary price increases.

There are, of course, several inconsistencies in this policy.

1. We do not believe it to be necessary. In fact, wage-price control has historically proven to be ineffective short of wartime conditions and even then of only marginal benefit. We suggest that there are several very stringent avenues to prevent runaway inflation, avenues which inspire a far greater discipline than any conceived under either voluntary or mandatory controls. These are the disciplines of:

(a) The marketplace—where consumers may choose not to buy if price and quality are not to their liking.

(b) Competition—where a new and better way imposes ceilings on the price levels in the private sector.

(c) Commonsense—which leads reasonable men to consider the well-being of the Nation, as well as their own in any action which they take.

We in the coal industry are prima facie evidence of the effectiveness of such disciplines. Since 1948 the price of coal has declined. During this period wage levels of coal miners have increased and the general price level has skyrocketed. But the chilling impact of stringent competition, the presence of alternate fuels, and the statesmanlike realization on the part of industry leaders that the future security of the industry was at stake held down coal prices.

2. Wage-price restraints fall unevenly on the population. It is all too easy to single out a union which is asking for a long overdue wage increase. But, very often much larger increases in fees by the service industries and the professions go unnoticed because they are accomplished quietly and without the fanfare associated with collective bargaining. Yet, as most wage earners are acutely aware, such increases bite deeply into the pocketbook of the average American.

3. Wage restraints are burdensome upon the wage earner without an equal burden being placed upon profits. If such restraints are necessary, then the man who works for wages and the man who collects the profits should share such a burden equally. This is especially pertinent in those industries with higher than average productivity, but with relatively rigid price structures. History has shown that in these instances there has been developed a growing disparity between the income of workers measured in wage payments and the income of managers and owners measured in dividends, profits, bonuses, and so forth.

But, short of a declared war emergency and short of a fair and equitable sharing of the burden, we feel that we should pursue the interests of our members through the medium of free collective bargaining. This method has served us and the Nation well in the past. We would be ill advised to deviate from it now without an overwhelming reason to do so.

GOVERNMENTAL FISCAL POLICY

If one examines the dilemma facing the country today in the economic area, one fact is obvious—the fiscal policy of the Government is the major engine of inflation. The needs of national defense, especially the conflict in Vietnam, are the major causes of the distortion in our fiscal framework.

Therefore, it is incumbent on the administration to cut its fiscal cloth to match available resources. In short, we have come to a time for priorities, for choosing those programs of greatest significance and postponing those of lesser value.

To some this would mean a retrenchment in many of the programs of the Great Society—the war on poverty, the Federal aid to education program, and so forth.

We reject this as false economics because we believe that such efforts will return much to our Nation and, in fact, are vital to the continued viability of our social, political, and economic institutions. Indeed, if the unfortunate struggle in Vietnam has taught us any lesson at all, it has taught us the importance of a population dedicated to a system of government as basic to their own individual welfare. If this is lacking, if our ghetto residents, or our rural poor, look to other systems for a hope in life, our national well-being is in serious jeopardy.

On the other hand, there are programs which can be curtailed or postponed without undue damage to the economy. I refer especially to the civilian nuclear power program, which consumes hundreds of millions of dollars each year. Much of the work being done in this program can be postponed or even canceled.

We are sure that there are other similar areas throughout the Federal budget. We hope that the Members of Congress will diligently seek them out and prune wherever possible.

INTERNATIONAL TRADE

A large part of the President's message dealt with the subject of international finance. This concern is obvious because of the recent devaluation of the British pound and the precarious position of the dollar.

Much has been written and spoken on this subject and we can add but little to the overall picture.

This much, however, we do know. So long as American political and military commitments remain at their present levels, the dollar will continue under sharp attack. In order for it to survive intact, two things are required:

1. Public policy which will insure the continued viability of the U.S. economy and which will protect it from the unfair importation of cheap foreign goods.

2. An aggressive, export-minded American industry with the ability and the determination to compete successfully in foreign markets.

The recent trade agreements concluded under the Kennedy Round will intensify the competitive pressures under which American industry will have to operate.

American coal is in a unique position to help in the balance of payments in two ways.

First, U.S. coal is more than competitive abroad. Our coal, because of the efficiency of the American coal miner, adds \$500 million to the U.S. balance of payments each year. America ships coal to Japan, Western Europe, Canada, and most of the coal-using nations of the free world.

It does this on the bases of quality and price.

The fact that we do not send more coal abroad rests in the political and not the economic sphere. Most of the nations of the world erect barriers to the entry of U.S. coal. Frequently, such barriers are non-tariff in nature, but extremely effective nonetheless.

Space does not permit me to catalog such barriers. Nevertheless, they do exist and as such tend to minimize the value of coal exports to the economy. They do so in two ways:

1. By reducing the market potential for U.S. coal.

2. By helping to create an atmosphere in which the export market is regarded as an undependable market outlet, an outlet to be exploited for the short run, but not to be developed for the long pull.

Second, the large reserves of U.S. coal and the modern technology to mine it should render us nearly self-sufficient insofar as fuels are concerned.

Unfortunately, just the opposite is true. Energy sources are imported into our markets in a flood, driving coal from its normal outlets. Often such flooding is done by unfair means, by dumping tactics.

Currently, coal faces a competitive battle from South American residual fuel oil, from Canadian natural gas, and from Middle Eastern oil. Last year there was an attempt to dump German coal into the U.S. market.

In the face of such competitive pressures, the American coal industry has stood virtually alone. Government officials, ignoring our pro-

tests, permitted and are even now permitting large blocs of foreign energy to enter our shores. Residual fuel oil, for example, is decontrolled, for all practical purposes. So, too, is the importation of Canadian natural gas.

In allowing U.S. coal to face such an unrestricted attack, the U.S. Government is acquiescing in the weakening of an industry vital to domestic security and important in world trade. It would seem obvious that the present course is both illogical and self-defeating.

Many other industries and other trade unions are coming to the same conclusions. As a result, our entire concept of international commerce is being reevaluated in many quarters, including the Congress of the United States.

Hopefully, this inquiry will continue. For, even though we subscribe to the ideal of freer international trade, we also know that such trade should be on a truly reciprocal basis, with adequate protection for essential domestic industries.

RESEARCH AND DEVELOPMENT

Our final section is perhaps the most important of all. We look to research and development to assure the future in coal, just as America must look to it for the continued prosperity and security of our Republic.

The real frontier to be explored today is the border of science, the effort to push ahead to new scientific breakthroughs. Only in this way will further significant material and social progress be possible for all Americans.

Any discussion of research and development inevitably leads one to probe the role of the Federal Government. This is so because of the dominant position occupied by the Federal Establishment in research and development activity. For example, almost \$17 billion is budgeted for this purpose in the Presidential budget for fiscal year 1969.

This money and the scientific know-how which it commands can and should have deep significance for all Americans. Its proper use should permit our Nation to move ahead to solutions to some of our pressing problems and to permit a fuller maximization of our human and material resources.

But, instead, such full benefit is not accruing because in our opinion:

1. Most of the research effort is expended in three major fields—space, defense, and atomic energy.
2. Little overall coordination is being done to permit a rational view of the entire spectrum of research work.
3. Priorities dealing with the best possible alternative among a great many desirable courses have not been drawn up.

The validity of our contention is quite evident in the energy industry. For decades atomic energy has received the bulk of research attention, while coal, our most plentiful energy resource, has received a pitiful portion. This is not to infer that those charged with coal research in Government have not done all that could be expected of them. Rather, the resources committed to coal research have been infinitesimal compared with the potential benefit of such research.

Coal, as is well known, is a storehouse of chemical products, liquid fuels, and energy. From coal can come many of the products necessary

in our industrial economy—oil, gas, chemicals, and energy itself. Upon coal can be built industrial complexes employing hundreds of thousands of men and women and pouring billions of dollars into the national economy.

The bridge to such a happy situation is research, research which today is both possible and practical—if—if sufficient resources are made available to it.

We hope that this will be done in the years ahead.

In conclusion, we look forward to another year of prosperity and progress for the United States in the economic sphere. We recognize problems but, we believe that with intelligent action on the part of all segments of our national life, we may move ahead to eliminate whatever barriers are impeding our national progress.

STATEMENT OF JERRY VOORHIS

I shall confine this statement to brief comments on three subjects: health, education, and interest rates.

First, a sentence appears on page 160 of the report which reads in part: "There appear to be significant efficiency gains from group practice." I wish that the committee report had added the word "prepayment" after "group practice." A number of studies as well as conferences conducted by the Health, Education, and Welfare Department, have recently demonstrated what some of us in the group health movement have known for a long time, namely, that subscribers to group practice-prepayment health plans have significantly lower rates of hospital utilization than do other insured groups in the population. Hospital costs are the most rapidly rising and by far the most expensive item in the health cost of the American people. If health can be maintained among large groups in the population with a lesser use of hospitalization, clear gains will have been made. I believe I am correct that it has now become Government policy to encourage group practice and prepayment for health care. Not only will this result in lower costs in connection with medicare and other Government programs as well as less drain on seriously overtaxed hospital facilities, but it will also provide a better quality of care for the people who have the benefits of group practice-prepayment health plans.

Serious consideration should be given toward applying on a much wider scale a plan in effect in New York City. In that city some 15,000 to 20,000 welfare recipients are now given comprehensive high-quality health care through Health Insurance Plan in Greater New York. The welfare department of that city has had the wisdom to pool the funds formerly paid on a hit-and-miss emergency basis for spasmodic medical care for its clients and to make direct per capita payments to Health Insurance Plan. In return HIP contracts to provide all necessary health care to this group of welfare clients. The net total cost is not appreciably more than was formerly spent. The difference is these people's health is now regularly maintained by carefully chosen groups of doctors. The money is spent for health, not for sickness.

I can imagine no one measure which would contribute more toward improving the chances of our poor people to work their way out of poverty than for a plan of this kind to be more widely used.

Another measure that would make possible expansion of services by group practice-prepayment health plans would be passage of legislation already introduced, to provide Government guarantee of private loans for the construction of needed hospital facilities by nonprofit, cooperative, community, labor and other types of group practice-prepayment plans.

My second comment has to do with education. While the present program of federal aid to education, coupled with the Headstart pro-

gram, marked by far the best advance yet made toward improvement of our educational system, they constitute only the beginning of what the present generation owes to our beleaguered young people. In my opinion, the Federal aid program should be expanded even more than has now been done, particularly in assisting local school districts with the cost of more adequate physical facilities so that their own resources may be used toward payment of better salaries to more and better qualified teachers. I also recommend careful study of the so-called new careers movement as an element in the war on poverty and the development of an extensive program for the training of educational aids among the low-income people who, with such training, could make a significant contribution toward the enrichment and increased practicability of the education provided to children in low-income areas of both our cities and our rural areas.

The third subject which I wish to discuss is the rate of interest. Every item in the consumer price index is affected by the rate of interest. The higher the rate of interest, the more the cost of living is forced upward, the greater inflationary pressures become, and the more difficult it is to produce an adequate supply of the things most needed by our people—housing, in particular. It needs no proof on my part to show that low-cost housing especially expands and contracts in inverse proportion to the rate of interest. If interest rates are low, housing starts can be and are expanded closer to the number which our country so desperately needs. If interest rates go up, as they have been so disastrously doing recently, it shuts off the supply of new low-cost housing more surely than any other single factor can do.

Furthermore, interest rates at the high level at which they have now been pushed quite literally, price out of the market for decent homes millions of people who might be able to afford good housing and even to own their own homes if the interest rate were lower. At 6¼ percent interest on a 30-year mortgage a \$16,000 house costs \$16,000 for the house but \$20,000 for interest on the debt.

The present high level of interest rate has already pushed our bill for interest on the Federal Government debt to the astronomical figure of \$14,200,000,000. Next only to expenditures on war, this is the largest single item in the whole national budget. If interest rates had been held at levels where they were held even under the terrific pressures of World War II, the bill for interest on our Federal Government debt would today be only about half it is!

High interest rates bear most heavily on those elements in the population which are least able to bear additional burdens: namely, the poor, the farmers, and small business. High interest rates penalize every productive agency and institution in the economy. And the point must somewhere be reached where the sheer weight of interest payments becomes so great that the whole productive process in a free economic order is slowed down. Admittedly, we have not yet quite reached that point in the United States. But if present trends are allowed to continue, we certainly shall reach it before long. The time is now when measures should be instituted to reverse the trend toward higher and higher interest rates and to bring them back into line with national needs and elemental economic justice.

It simply is not true that higher interest rates act as a curb upon inflation. Quite the contrary, as stated above, they add to the price of practically every item in the economy. The only real reason for increasing interest rates is because the Federal Reserve System and the lending institutions have the power to increase them. Higher rates are not needed for the sake of economic prosperity of banks or other lending institutions. Their rate of return to investors was higher than the return to most investors when interest rates were much lower than they are now.

There is probably no single economic influence which can encourage the high level of productive activity which our country so critically needs as much as a low interest rate can do. It is earnestly to be hoped that the Joint Economic Committee will urge upon all agencies of our Government as well as the Federal Reserve System a prompt reversal of the present high interest policy.



