

FREEDOM BUDGET
FOR
ALL AMERICANS

A Summary

A. PHILIP RANDOLPH INSTITUTE
217 West 125th Street New York, N.Y. 10027

A. Philip Randolph, *President*
Bayard Rustin, *Executive Director*

JANUARY 1967

FOREWORD

After many years of intense struggle in the courts, in legislative halls, and on the streets, we have achieved a number of important victories. We have come far in our quest for respect and dignity. But we have far to go.

The long journey ahead requires that we emphasize the needs of all America's poor, for there is no way merely to find work, or adequate housing, or quality-integrated schools for Negroes alone. We shall eliminate slums for Negroes when we destroy ghettos and build new cities for *all*. We shall eliminate unemployment for Negroes when we demand full and fair employment for *all*. We shall produce an educated and skilled Negro mass when we achieve a twentieth century educational system for *all*.

This human rights emphasis is an integral part of the Freedom Budget and sets, I believe, a new and creative tone for the great challenge we yet face.

The Southern Christian Leadership Conference fully endorses the Freedom Budget and plans to expend great energy and time in working for its implementation.

It is not enough to project the Freedom Budget. We must dedicate ourselves to the legislative task to see that it is immediately and fully achieved. I pledge myself to this task and will urge all others to do likewise. The Freedom Budget is essential if the Negro people are to make further progress. It is essential if we are to maintain social peace. It is a political necessity. It is a moral commitment to the fundamental principles on which this nation was founded.



October 26, 1966

Martin Luther King

A "FREEDOM BUDGET" FOR ALL AMERICANS

The Freedom Budget is a practical, step-by-step plan for wiping out poverty in America during the next 10 years.

It will mean more money in your pocket. It will mean better schools for your children. It will mean better homes for you and your neighbors. It will mean clean air to breathe and comfortable cities to live in. It will mean adequate medical care when you are sick.

So where does the "Freedom" come in?

For the first time, everyone in America who is fit and able to work will have a job. For the first time, everyone who can't work, or shouldn't be working, will have an income adequate to live in comfort and dignity. And that is freedom. For freedom from want is the basic freedom from which all others flow.

This nation has learned that it must provide freedom for all if any of us is to be free. We have learned that half-measures are not enough. We know that continued unfair treatment of part of our people breeds misery and waste that are both morally indefensible and a threat to all who are better off.

INTRODUCTION

I believe, and profoundly hope, that from this day forth the opponents of social progress can take comfort no longer, for not since the March on Washington has there been such broad sponsorship and enthusiastic support for any undertaking as has been mobilized on behalf of "The Freedom Budget for All Americans."

These forces have not come together to demand help for the Negro. Rather, we meet on a common ground of determination that in this, the richest and most productive society ever known to man, the scourge of poverty can and must be abolished—not in some distant future, not in this generation, but within the next ten years!

The tragedy is that the workings of our economy so often pit the white poor and the black poor against each other at the bottom of society. The tragedy is that groups only one generation removed from poverty themselves, haunted by the memory of scarcity and fearful of slipping back, step on the fingers of those struggling up the ladder.

And the tragedy is that not only the poor, the nearly poor, and the once poor, but all Americans, are the victims of our failure as a nation to distribute democratically the fruits of our abundance. For, directly or indirectly, not one of us is untouched by the steady spread of slums, the decay of our cities, the segregation and overcrowding of our public schools, the shocking deterioration of our hospitals, the violence and chaos in our streets, the idleness of able-bodied

men deprived of work, and the anguished demoralization of our youth.

For better or worse, we are one nation and one people. We shall solve our problems together or together we shall enter a new era of social disorder and disintegration.

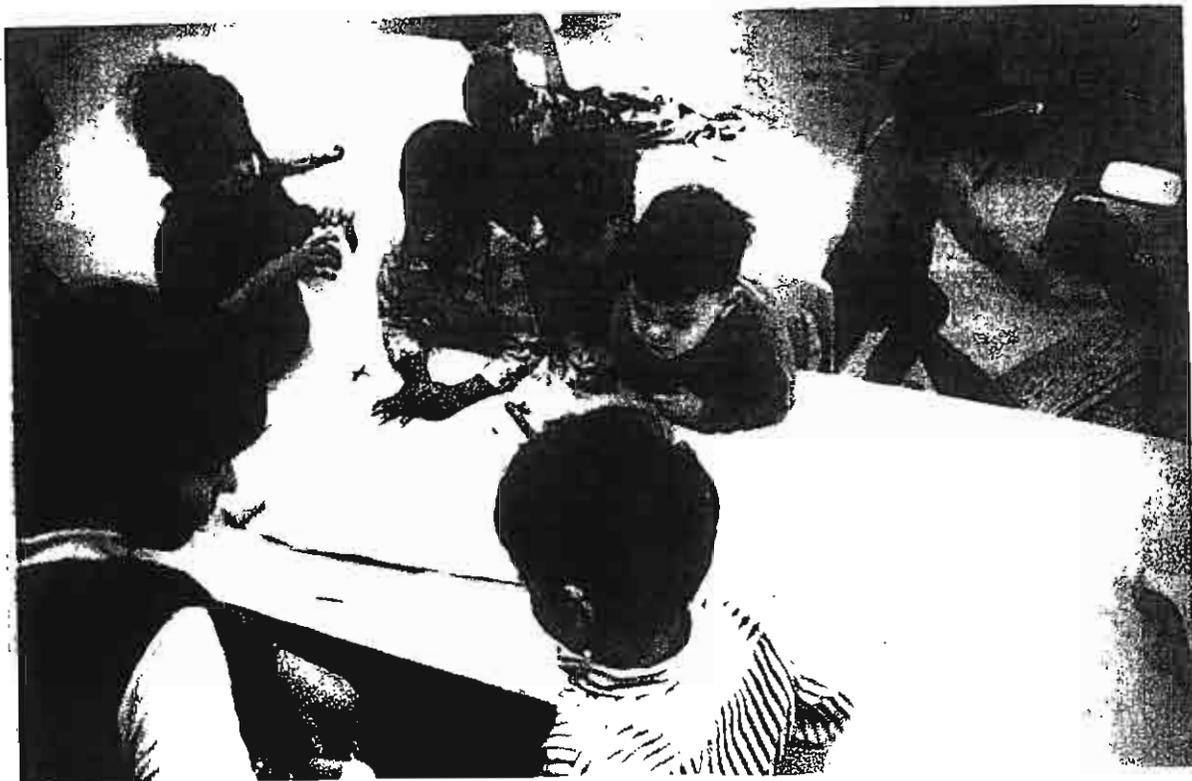
What we need is an overall plan of attack.

This is what the "Freedom Budget" is. It is not visionary or utopian. It is feasible. It is concrete. It is specific. It is quantitative. It talks dollars and cents. It sets goals and priorities. It tells how these can be achieved. And it places the responsibility for leadership with the Federal Government, which alone has the resources equal to the task.

The "Freedom Budget" is not a call for a handout. It is a challenge to the best traditions and possibilities of America. It is a call to those who have grown weary of slogans and gestures to rededicate themselves to the cause of social reconstruction. It is a plea to men of good will to give tangible substance to long-proclaimed ideals.

*President,
A. Philip Randolph Institute*

October 26, 1966



As A. Philip Randolph put it: "Here in these United States, where there can be no economic or technical excuse for it, poverty is not only a private tragedy but, in a sense, a public crime. It is above all a challenge to our morality."

The Freedom Budget would make that challenge the lever we can grasp to wipe out poverty in a decade.

Pie in the sky?

Not on your life. Just simple recognition of the fact that we as a nation never had it so good. That we have the ability and the means to provide adequately for everyone. That simple justice requires us to see that everyone—white or black; in the city or on the farm; fisherman or mountaineer—may have his share in our national wealth.

The moral case for the Freedom Budget is compelling.

In a time of unparalleled prosperity, there are 34 million Americans living in poverty. Another 28 million live

just on the edge, with income so low that any unexpected expense or loss of income could thrust them into poverty.

Almost one-third of our nation lives in poverty or want. They are not getting their just share of our national wealth.

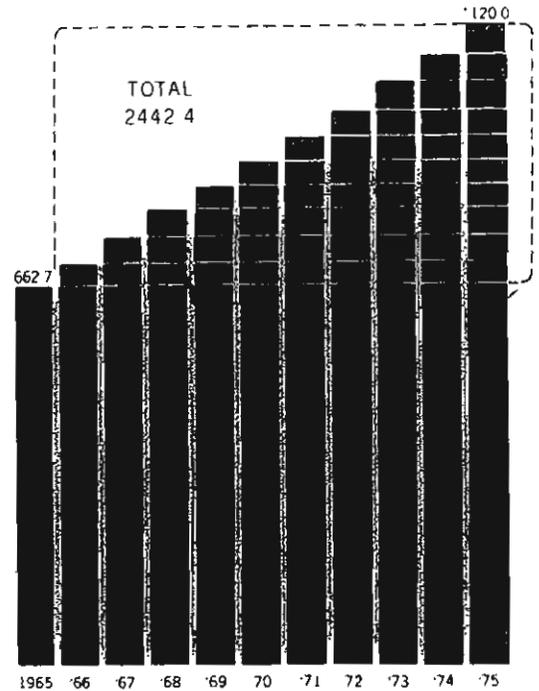
Just as compelling, this massive lump of despair stands as a threat to our future prosperity. Poverty and want breed crime, disease and social unrest. We need the potential purchasing and productive power the poor would achieve, if we are to continue to grow and prosper.

In short, for good times to continue—and get better—we must embark immediately on a program that will fairly and indiscriminately provide a decent living for all Americans.

The Freedom Budget provides seven basic objectives, which taken together will achieve this great goal within 10 years. They are:

1. To provide *full employment* for all who are willing and able to work, including those who need education or training to make them willing and able.
2. To assure *decent and adequate wages* to all who work.
3. To assure a *decent living standard* to those who cannot or should not work.
4. To *wipe out slum ghettos* and provide decent homes for all Americans.
5. To provide *decent medical care and adequate educational opportunities* to all Americans, at a cost they can afford.
6. To *purify our air and water* and develop our transportation and natural resources on a scale suitable to our growing needs.
7. To unite *sustained full employment with sustained full production and high economic growth.*

WHAT WE HAVE TO WORK WITH
Gross National Product in Billions of 1964 Dollars



The Freedom Budget shows how to do all this without a raise in taxes and without a single make-work job—by planning prudently NOW to use the economic growth of the future, and with adequate attention to our international commitments.

The key is jobs.

We can all recognize that the major cause of poverty could be eliminated, if enough decently paying jobs were available for everyone willing and able to work. And we can also recognize that, with enough jobs for all, a basic cause of discrimination among job-seekers would automatically disappear.

What we must also recognize is that we now have the means of achieving complete employment—at no increased cost, with no radical change in our economic system, and at no cost to our present national goals—if we are willing to commit ourselves totally to this achievement.



That is what the Freedom Budget is all about.

It asks that we unite in insisting that the nation plan now to use part of its expected economic growth to eliminate poverty.

Where will the jobs come from? What will we use for money?

If all our nation's wealth were divided equally among all us Americans, each share would be worth roughly \$3,500. Of this, we grant to the Federal government a slice equal to roughly \$500 in the form of taxes, leaving us an average of about \$3,000 to spend on our other needs.

If our nation's productivity continues growing at the same rate as in recent years—and it will if the Freedom Budget is adopted—each share will grow to about \$5,000. Thus, the Federal government's slice will grow to \$700, with the present Federal tax structure, and we will still have \$4,300 left for our other needs.

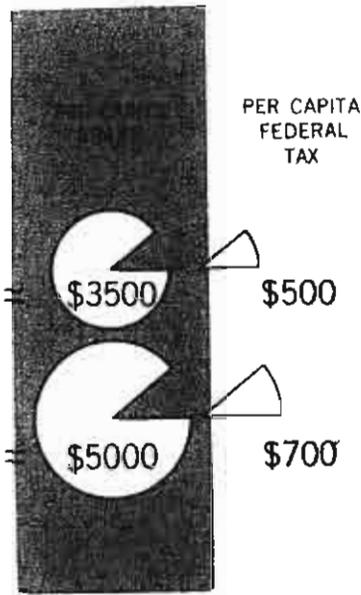
What the Freedom Budget proposes is this: Budget a fraction of the \$200 increase in Federal tax revenues to provide jobs for all who can work and adequate income of other types for those who cannot.

WHAT HAPPENS TO YOUR TAXES WHEN NATIONAL INCOME GOES UP



\$663 BILLION Gross National Product
194.6 MILLION People

\$1120 BILLION Gross National Product
226 MILLION People



No doles. No skimping on national defense. No tampering with private supply and demand.

Just an enlightened self-interest, using what we have in the best possible way.

By giving the poor a chance to become dignified wage earners, we will be generating the money to finance the improvements we all need—rich and poor alike. And we would be doing it by making new jobs with new money, so that no one who is now earning his own living would suffer.

The Freedom Budget recognizes that the Federal government must take the lead in attaining the eradication of poverty.

The Federal government alone represents all 200 million American individuals. It alone has the resources for a comprehensive job. And it has the responsibility for fulfilling the needs which are the basis for the Freedom Budget plan.

First, here's where the jobs would be coming from:

—Right now, the nation should begin budgeting to replace the 9.3 million "seriously deficient" housing units that make living in them a misery and form slums that are a blight upon our land.

The housing program contained in the Freedom Budget would have practically all Americans decently housed by 1975—while providing a wide range of jobs for the unemployed in housing construction and urban redevelopment.

—Critical shortages of water and power persist in many highly populated areas. Air and waters remain polluted. Recreation facilities are unavailable for those who need them most.

The Freedom Budget proposes the creation of millions of jobs in a program that will correct these pressing problems.

—We need, at a conservative estimate, 100,000 new public classrooms a year for the next six years, as well as considerable expansion of our institutions of higher learning.

Only the Federal government can meet the largest share of these needs, as well as providing for the hundreds of thousands of new teachers who also will be needed.

—We must double our rate of hospital construction if we are to keep up with our minimum requirements in this field, and we must expand rehabilitation and outpatient facilities.

**HOW THE FREEDOM BUDGET
KEEPS THE PUBLIC/PRIVATE RATIO**
1964 Dollars (Billions)

\$1120.0 100.0%

**Components of
Gross National Product**

\$878.0 - 100.0%

**Consumer
Expenditures**

\$662.7 - 100.0%

711.0 - 63.5%

\$56.0 - 63.3%

**Equipment,
Factories, and
Flowers**

\$22.5 - 63.3%

\$47.0 - 16.3%

188.0 - 16.3%



\$100.2 - 18.0%

\$11.0 - 10.0%

\$11.0 - 10.0%

1965
actual

1970
goal

1975
goal

As these and other programs swell the number of productive workers, cut down unemployment and increase consumption, the private sector of our national economy will inevitably grow also.

The Freedom Budget recognizes that full employment by itself is not enough to eradicate poverty. Therefore, it also proposes — and budgets for — a \$2-an-hour Federal minimum wage covering everyone within Federal jurisdiction; a new farm program to provide adequate income to the 43 per cent of farm families who now live in poverty; and immediate improvements in Social Security, welfare, unemployment compensation, workmen's compensation and other programs designed to support those who cannot or should not work.

Where will the money come from?

The Freedom Budget recognizes that we cannot spend what we do not produce. It also recognizes that we must spend wisely what we do produce.

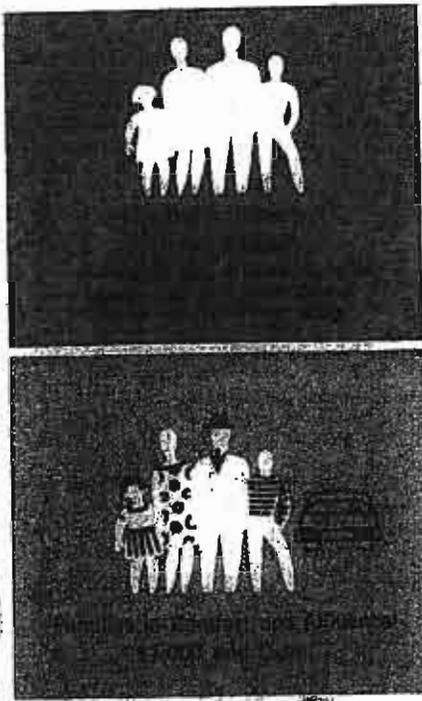
It proposes that a portion of our future growth—one thirteenth of what can reasonably be expected to be available—be earmarked for the eradication of poverty. The Freedom Budget proposed outlay of \$185 billion in 10-years sounds like a great deal of money, and it is a great deal of money.

But it will come from the expansion of our economy that will in part be the result of wise use of that very \$185 billion. It will build homes and schools, provide recreation areas and hospitals. It will train teachers and nurses.

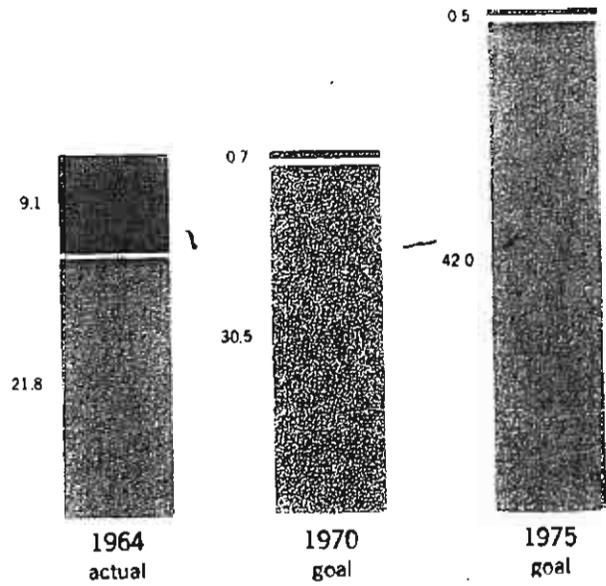
It will provide adequate incomes to millions who now do not have them. And those millions will in turn buy goods they cannot now buy.

So the wage earner of today will benefit as well. His earnings will go up and his enjoyment of life will be increased. The opportunities for private enterprise will increase.

The breeding grounds of crime and discontent will be diminished in the same way that draining a swamp cuts down



**WHAT THE FREEDOM BUDGET MEANS
FOR FAMILY INCOMES**
Number of Families (millions)



the breeding of mosquitoes, and the causes of discrimination will be considerably reduced.

But the Freedom Budget cannot become reality without a national effort. It requires a concentrated commitment by all the people of America, expressed in concrete goals and programs of the Federal Government. These goals and programs must encourage to the utmost the efforts of state and local governments and private enterprise.

It is not lack of good-will that has prevented the achievement of these great goals in the past. All of us, 200 million strong, are united in our willingness to share the abundance of America in equal impartiality with our fellows, and to grant equal opportunities to all.

What we must do—and what the Freedom Budget provides—is to express that will in the most direct, quickest and fairest way.

The Freedom Budget, then, is a new call to arms for a final assault on injustice. It is a rallying cry we cannot fail to heed.

THE "FREEDOM BUDGET": QUESTIONS AND ANSWERS

1. Aren't We Making Progress in Eliminating Poverty Through the Kind of Sharp Economic Growth We've Had in the Past Two Years? What New Dimensions Does the "Freedom Budget" Add?

There is no evidence that the economic growth of the last two years has significantly dented poverty. Economic growth is a precondition for abolishing poverty, but it is not sufficient by itself. To it must be added programs that reach toward a more equitable distribution of our abundance. This is the dimension added by the "Freedom Budget."

2. Will Programs to Help the Poor Really Enable Them to Break the Cycle of Poverty?

Of course. The overwhelming majority of the poor don't want to be poor. They have been kept in poverty, in some cases for two or more generations. They are the victims of technological changes, of wrong-headed economic policies, of political powerlessness, of discrimination, of the environment of poverty itself. Their despair and demoralization can be dispelled only by the opening of genuine economic opportunity. When such opportunity is provided, along the lines suggested in the "Freedom Budget," the cycle of poverty can and will be broken.

3. How Many of the People in Poverty Are Capable of Handling Jobs and How Many Would Take Jobs if They Were Offered?

First of all, 20% of those in poverty are in families whose breadwinners already work full-time but at wages below the poverty level. Another 40% are victims of unemployment or underemployment; their problem is not unwillingness to work but the absence of jobs. Thus, fully 60% of the poverty problem could be eliminated if we achieved full employment at decent wages.

The remaining 40% of those in poverty either cannot or should not be working. Included are the physically disabled, the elderly, women with young children, etc. For them the "Freedom Budget" demands improved public assistance, social security and other payments, culminating in a guaranteed annual income.

Our past experience shows that federal programs such as the progressive income tax, social security, protection of collective bargaining and others have raised the income level of millions of people.

4. Won't the Spending of So Much Money Mean the Creation of More Government Agencies and Just Expand Bureaucracy?

The expansion of bureaucracy results from the effort to solve problems in a haphazard, piecemeal way. A coordinated national plan, such as the "Freedom Budget" does not call for new agencies; it calls for new levels of economic performance. People who are fully employed at decent wages do not need bureaucracies; the poor and disadvantaged do.

5. Will Taxes Have to be Raised to Provide the Money to Implement the Freedom Budget Programs?

Our current tax structure is very responsive to economic growth. If total output expands—and it will if Freedom Budget proposals are enacted—revenues to the federal government will rise by \$10 billion each year. For the ten years, the cumulative effect will be to add in excess of \$400 billion to our present tax revenue.

6. Where Will All the Money Come From?

From what the "Freedom Budget" calls the "economic growth dividend." If we put all of our resources to work, the country's total production will jump from \$663 billion in 1965 to roughly \$1.2 trillion in 1975. To reach this figure, the gross national product would rise each year by an average of \$244 billion. Thus, over a ten-year period, the aggregate increase in the gross national product would be \$2.4 trillion higher than if the economy remained at its present level. (See graph, p. 10) This is what is meant by "economic growth dividend." At present tax rates, such a dividend would result in an additional \$400 billion or more in Federal revenues over the next decade. It is from these *additional* revenues that the "Freedom Budget" proposes the allocation of \$185 billion to meet our critical social needs.

7. Aren't We Asking the American Public to Devote a Tremendous Amount of Money to Help Just a Small Group Within Our Society?

While it is true that poverty afflicts only a minority of Americans, it reflects a malfunctioning of our national economy which affects all Americans. The persistence of unemployment and underuse of resources detract from our total wealth. Had there been maximum employment and production between 1953-65, as would have been achieved under programs such as those proposed in the Freedom Budget, our gross national product would have been \$550 billion higher, total private consumption would have been \$364 billion higher, and public revenues would have been \$135 billion higher. All Americans would have shared in this greater abundance.

Thus, we have all been deprived of the contribution the poor can make, as producers and consumers, to our economy. Moreover, nobody is untouched by the spread of slums, the decay of social services, and the human waste that lead to violence, crime and chaos. Every American suffers from outmoded urban transit, air and water pollution, inadequate schools and hospitals.

This is a "Freedom Budget" for *all* Americans.

8. Would Not a \$2.00 Minimum Wage Destroy
Culture, Reduce the Number of Jobs?

This is a standard argument against higher minimum wages, but it has no basis in fact. There was no increase in unemployment when minimum wages were raised in 1961 and again in 1963. On the contrary, because a \$2.00 minimum wage would boost consumer purchasing power, total employment would probably rise.

Government programs should be established to help small enterprises achieve greater efficiency and to tide them over while they are adjusting to payment of a living wage.

9. Won't \$185 Billion More in Spending Create Such High Demand for Goods and Services That Sharp Inflation Will Be Inevitable?

There is no evidence of serious shortages in goods at present. Should such shortages develop, however, or if tendencies toward inflation threaten, the "Freedom Budget" contends that the Federal Government has sufficient fiscal and monetary tools to deal with the problem, without scuttling our commitment to abolish poverty.

10. Does the "Freedom Budget" Assume That National Defense Expenditures Would Not Rise?

No. For national defense, space technology and all international outlays, the federal budget in 1967 was \$64.6 billion. The "Freedom Budget" assumes this figure would rise to \$87.5 billion in 1975.

In making this estimate, the Freedom Budget neither endorses nor condemns present military spending policies. It relies on the judgment of informed experts. Obviously, if the international situation improves and a reduction in military spending is in order, so much more money will be available for social needs. But even if military spending increases faster than now envisioned, the Freedom Budget proves that we can afford to carry out the necessary programs. But the abolition of poverty is too precious a goal to be made *contingent* on such a reduction.

WHAT YOU CAN DO

1. The objectives outlined in the "Freedom Budget for All Americans," can only be achieved when all those who advocate its adoption are registered voters. Carry on a voter registration campaign in your area and demand that candidates for office tell you where they stand on the Freedom Budget.
2. Order copies of this summary for members of your club, trade union, neighborhood association, fraternal and religious groups.
3. Order copies of the expanded, "A Freedom Budget for All Americans," for your local public and school libraries, keep several on hand for reference work.
4. Hold meeting for the general public about the Freedom Budget.
5. Set-up small study groups to relate the demands of the Freedom Budget to the needs of your community.
6. Write to the Randolph Institute if you need help in planning meetings, if you need a speaker, or if you would like a field secretary help you organize activities in behalf of the Budget.
7. Write to your congressmen and senators and let them know that you support the Budget; ask them to introduce legislation incorporating the proposals in the Budget.
8. Contact your city and state officials to let them know the needs of your community; demand that they pressure Washington for its enactment.
9. Contact youth groups and involve them in work in behalf of the Budget.
10. Please send copies of your correspondence, replies from government officials and other material to the Randolph Institute, 217 West 125th Street, New York, New York 10027.

The "Freedom Budget" embodies a fundamental approach to the elimination of poverty for all Americans, regardless of color, and has other essential purposes. While not necessarily endorsing every detail, I am in broad agreement with its basic objectives and broad outlines.

I. W. ABEL, President
United Steelworkers of America

MORRIS B. ABRAM, President
American Jewish Committee

MATHEW AHMANN, Executive Director
Catholic Conf. Interracial Justice

ARNOLD ARONSON, Executive Director
Leadership Conference on Civil Rights

DAVID T. BAZELON
Writer

JOSEPH A. BEIRNE, President
Communication Workers of America

DANIEL BELL
Prof. Sociology, Columbia Univ.

FAY BENNETT, Executive Director
National Sharecroppers Fund

EMILE BENOIT
Prof. Economics, Columbia Univ.

IRVING BLUESTONE, Asst. to Pres.
United Auto Workers of America

ELI A. BOHNER, President
Rabbinical Assembly

ROBERT E. BONDY
Consultant

RICHARD W. BOONE, Exec. Dir.
Citizens Crusade Against Poverty

WILLIAM H. BOOTH, Exec. Director
N.Y.C. Commission on Human Rights

W. H. BOWE, Intl. Sec. Treas.
Bro. Sleeping Car Porters

OTIS BRUNAKER, Research Director
United Steel Workers of America

MARION E. BRYANT, National Pres.
Natl. Assn. Negro Business
and Professional Women's Clubs

PORTIA C. BULLOCK, President
Natl. Association of College Women

RAEEN BUSBY, Undersecretary
Spec. Political Affairs, U.N.

JAMES MACCHAMBER BURNS
Prof. History, Williams College

EDWARD S. CALVERT, Exec. Director
New York Urban League

ALAN F. CAMPBELL, Director
Metro. Studies Dept., Syracuse Univ.

THOMAS C. CHAMBERS, Dean
College of Arts, W. Va. Univ.

FRANK CHAMBERS, Exec. Dir.
Natl. Assn. of Public Health

FRANK CHAMBERS, Exec. Dir.
Natl. Assn. of Public Health

RICHARD A. CLOWARD
Prof. Sociology, Columbia Univ.

CHARLES COGEN, President
American Federation of Teachers

ELI S. COHEN, Executive Secretary
Natl. Comm. on Employment of Youth

JACK T. CONWAY, Executive Director
Industrial Union Dept., AFL-CIO

JOHN C. CORT, President
National Cath. Social Action Conf.

REV. JOHN F. CRONIN, S.S., Asst. Dir.
Dept. Social Action
National Catholic Welfare Conf.

DAVID DANZIG
Prof. Social Work, Columbia Univ.

JOSEPH E. DAVIS, President
Carver Fed. Savings & Loan Assn.

OSBIE DAVIS
Actor and Playwright

REV. THURSTON N. DAVIS, S.J.
Editor-in-Chief, *America*

RUBY DEE
Actress

D. L. DELLUMS, Intl. Vice Pres.
Bro. Sleeping Car Porters

LEWIS C. DOWDY, President
Agric. and Technical College of N.C.

ST. CLAIR DRAKE
Prof. Sociology, Roosevelt Univ.

ALBERT R. DREISHACK, JR., Assoc. Dir.
Episcopal Soc. Cult. & Racial Unity

REV. ROBERT F. DRIMAN, S.J., Dean
Boston College Law School

DAVID DUBINSKY, Former President
ILGWU; Vice Pres. AFL-CIO

JAMES R. DUMPSON, Former Commissioner
New York City Dept. of Welfare

LESLIE DUNBAR, Exec. Director
Field Foundation

S. E. DUNCAN, President
Livingston College

ELMER ELLIS, President
University of Missouri

JOHN K. FAIRBANKS, Director
East Asia Res. Ctr., Harvard Univ.

REYNOLD A. FALK
Prof. Intl. Law, Princeton Univ.

JOHN F. FLETCHER
Syndicate Cartoonist

PAUL FELDMAN, Editor
World Affairs

JIMMY LITTLE, Editor
New York Courier

ARTHUR J. LOGAN, M.D., Former Chairma.
Haryou-Act

EDWIN J. LUKAS, Director
Civil Rts.-Soc. Act., Amer. Jew. Com.

FLOYD MCKISSICK, Natl. Dir.
Congress of Racial Equality

B. F. McLAURIN, Zone Supv.
Bro. Sleeping Car Porters

CORNELIA E. McNAMARA, Natl. Dir.
Bks. for Equal Educ., U.S. Youth Cncl.

T. D. McNEAL, Intl. Vice Pres.
Bro. Sleeping Car Porters

ALBERT E. MANELY, President
Spelman College

GARTH L. MANGUM, Exec. Dir.
Upjohn Inst. for Employ. Research

FATHER PHILIP MARQUARD
Third Order St. Francis, Chicago

DUNKE MARSHALL, Vice-President
Intl. Bus. Machines Corporation

MIKE MASAOKA, Washington Representative
Japanese Citizens American Citizens League

WILL MAZLOW, Executive Dir.
American Jewish Congress

BENJAMIN E. MAYS, President
Morehouse College

GEORGE E. MEARES, Grand Basileus
Omega Psi Phi Fraternity, Inc.

MARGARET MEALY, Exec. Dir.
Natl. Council Catholic Women

SAUL H. MENDLOVITZ
Prof. Law, Rutgers Law School

ISIAH MINKOFF, Secretary
Natl. Community Serv. Advisory Cncl.

JOSEPH MONSERRAT, Director
Puerto Rican Migration Division

RT. REV. MGR. GREGORY L. MOONEY
Dir., Kennedy Community Center

JOHN B. MORRIS, Executive Dir.
Epis. Society Cultural-Racial Unity

DR. JOHN MORSELL, Asst. Dir.
Natl. Assn. Advance. Colored People

EMANUEL MURAVCHIK, Natl. Dir.
Jewish Labor Committee

JOHN COURTNEY MURRAY, S.J., Dir.
John LaSalle Institute

PAUL MURRAY
Professor of Law

GUNNAR MYRDAL
Inst. Intl. Econ. Studies

JAMES V. NABBITT, II, Pres.
Howard University

ROBERT NATHAN
Economist

ERIC NORTON, Executive Sec.
Natl. Conf. Arts, Ltr. and Labor

JOHN P. O'NEAL, Exec. Dir.
Natl. Comm. on Unemployment

ROBERT D. O'NEAL, Dir.
Natl. Assn. of Public Health

JOHN P. O'NEAL, Dir.
Natl. Assn. of Public Health

ELEANOR H. NORTON, Asst. Legal Dir.
American Civil Liberties Union

FREDERICK O'NEAL, President
Actors Equity

L. JOSEPH OVERTON, Natl. Sec.
Negro American Labor Cncl.

RICHARD PARRISH, Treasurer
Negro American Labor Cncl.

JAMES G. PATTON, Former President
National Farmers Union

HAROLD L. PILGRIM, Exec. Sec.
Frontiers International

ALBERT PINON, National Pres.
Community Service Organization

WILLIAM POLLOCK, President
Textile Workers of America

JACOB S. POTOFKY, President
Amalgamated Clothing Workers
of America AFL-CIO

C. B. POWELL, Publisher
Amsterdam News

DR. H. R. PRIMAS, President
National Dental Association

RABBI JOACHIM PRINZ, Former Pres.
American Jewish Congress

LEE RAINWATER
Prof. Econ., Washington Univ.

A. PHILIP RANDOLPH, President
Bro. Sleeping Car Porters

JOSEPH L. RAUB, JR., Vice-Chrm.
Americans for Democratic Action

L. D. REDDICK
Prof. Hist., Coppin St. College

KURT REICHERT, Assoc. Prof.
Soc. Wrk.-Research, Bryn Mawr College

WALTER P. REUTHER, President
United Auto Workers of America

HOBSON E. REYNOLDS
Grand Exalted Ruler
Improved Bene. Ord. Elks of the World

DAVID RIESMAN
Prof. Sociology, Harvard Univ.

FRANK RIESSMAN
Prof. Education, New York Univ.

CLEVELAND ROBINSON, President
Negro American Labor Council

JOSEPH B. ROBINSON, Director
Com. Law & Social Justice
American Jewish Congress

BAYARD RUSTIN, Executive Director
A. Philip Randolph Institute

GEORGE P. SARATITE, President
United Transport Serv. Employees

LOUIS B. SCHWARTZ
Prof. Law, Univ. Pennsylvania

ALBERT SHANKER, President
United Federation of Teachers

HORACE L. SHERFIELD
Intl. Rep., Citizenship Dept., UAW

LEON SKULL, National Director
Americans for Democratic Action

DAVID SINGER
Prof. Mental Health Res. Inst.
University of Michigan

A "Freedom Budget" for All Americans

BUDGETING OUR RESOURCES, 1966-1975
TO ACHIEVE "FREEDOM FROM WANT"

- ✓ Abolition of poverty
- ✓ Guaranteed full employment
- ✓ Full production and high economic growth
- ✓ Adequate minimum wages
- ✓ Farm income parity
- ✓ Guaranteed incomes for all unable to work
- ✓ A decent home for every American family
- ✓ Modern health services for all
- ✓ Full educational opportunity for all
- ✓ Updated social security and welfare programs
- ✓ Equitable tax and money policies

A. PHILIP RANDOLPH INSTITUTE

2104375199

HC 110 P63 R3 1966 MAIN



THE GENERAL LIBRARIES
THE UNIVERSITY
OF TEXAS AT AUSTIN

PRESENTED BY

the School of Social Work

THE UNIVERSITY OF TEXAS AT AUSTIN
THE GENERAL LIBRARIES
PERRY-CASTAÑEDA LIBRARY

DATE DUE	DATE RETURNED
MAR 21 1994 PCL	RET'D MAR 21 1994 PCL
APR 04 1994 PCL	
APR 19 1994 LIFE SCI	
MAY 07 1994 PCL	RET'D APR 20 1994 PCL
MAY 16 1999 PCL	
	RET'D MAY 24 1994 PCL
	RET'D PCL
	APR 19 1999

**A "FREEDOM BUDGET"
FOR ALL AMERICANS**

**Budgeting Our Resources, 1966-1975
To Achieve "Freedom From Want"**

**A. PHILIP RANDOLPH INSTITUTE
217 West 125 Street • New York, N. Y. 10027**

OCTOBER, 1966

"In the near future, I shall call upon the leaders of the Freedom Movement to meet together with economists and social scientists in order to work out a specific and documented "Freedom Budget." I shall submit these recommendations to the President . . ."

A. PHILIP RANDOLPH
Honorary Chairman
White House Conference
"To Fulfill these Rights"
November 18, 1965

Introduction

The "Freedom Budget" spells out a specific and factual course of action, step by step, to start in early 1967 toward the practical liquidation of poverty in the United States by 1975. The programs urged in the "Freedom Budget" attack *all* of the major causes of poverty — unemployment and underemployment; substandard pay; inadequate social insurance and welfare payments to those who cannot or should not be employed; bad housing; deficiencies in health services, education, and training; and fiscal and monetary policies which tend to redistribute income regressively rather than progressively. The "Freedom Budget" leaves no room for discrimination in any form, because its programs are addressed to *all* who need more opportunity and improved incomes and living standards — not just to some of them.

The "Freedom Budget" differs from previous worthy efforts to set forth similar goals because it fuses general aspirations with quantitative content, and imposes time schedules. It deals not only with where we must go, but also with how fast and in what proportions. It measures costs against resources, and thus determines feasible priorities. It is not only a *call* to action, but also a *schedule* for action.

The "Freedom Budget", however, is not self-executing. It defines programs around which can be rallied all those individuals and groups who favor these programs and their objectives. But even with this convergence of forces, these individuals and groups will need to assume the political task of impressing upon *their* Government the obligation to undertake promptly the needed legislative and Executive programs. As is stressed throughout, improved operations under the Employment Act of 1946, commencing at once, must be the first focal point of the implementation process. The "Freedom Budget" is thus an imperative call to *national action — now*.

Why do we call this a "Freedom Budget?"

The language evokes the struggle of the civil rights movement, its vision of social justice and equality, its militant determination that these goals be rapidly and forthrightly achieved. This is the vision and determination that underlies the "Freedom Budget" and must propel any genuine war on poverty. The moral issues in this war are no less compelling than those of the battle against racism.

We call this a "Freedom Budget" in recognition that poverty and

deprivation, as surely as denial of the right to vote, are erosive of human freedom and of democracy. In our affluent nation, even more than in the rest of the world, economic misery breeds the most galling discontent, mocking and undermining faith in political and civil rights. Here in these United States, where there can be no economic nor technological excuse for it, poverty is not only a private tragedy but in a sense a public crime. It is above all a challenge to our morality.

We call this a "Freedom Budget" because it embodies programs which are essential to the Negro and other minority groups striving for dignity and economic security in our society. But their legitimate aspirations cannot be fulfilled in isolation. The abolition of poverty (almost three-quarters of whose U.S. victims are white) can be accomplished only through action which embraces the totality of the victims of poverty, neglect, and injustice. Nor can the goals be won by segmental or *ad hoc* programs alone; there is need for welding such *programs* into a unified and consistent *program*.

The main beneficiaries will be the poor themselves. But in the process everyone will benefit, for poverty is not an isolated circumstance affecting only those entrapped by it. It reflects — and affects — the performance of our national economy, our rate of economic growth, our ability to produce and consume, the condition of our cities, the levels of our social services and needs, the very quality of our lives. Materially as well as spiritually, a society afflicted by poverty deprives all of its citizens of security and well-being.

In this war, too, we encounter the pessimists and the tokenists, those who counsel "gradualism" and those who urge piecemeal and haphazard remedies for deep-rooted and persistent evils. Here again, "gradualism" becomes an excuse for not beginning or for beginning on a base too small to support the task, and for not setting goals; and the scattered, fragmented remedies, lacking priorities and coordination, often work at cross purposes.

In the economic and social realm, no less than in the political, justice too long delayed is justice denied. *We propose and insist that poverty in America can and therefore must be abolished within ten years.*

The means toward this end are spelled out in the following pages, prepared in cooperation with some of the nation's outstanding experts. There may be minor disagreements with regard to statistical data, analysis, and policy proposals, even among those endorsing the "Freedom Budget" in this publication. These individuals subscribe only to the broad directions of the "Freedom Budget," and are too imbued with a sense of urgency to cavil about the details. But this limitation is not intended to imply luke-

warmness in terms of urgency, nor to question that in its *major* aspects the "Freedom Budget" is essentially sound and imperative.

The "Freedom Budget" contends that this nation has the resources to abolish poverty, for the first time in human history, and to do so within a decade. Indeed, the very process of abolishing poverty will add enormously to our resources, raising the living standard of Americans at all income levels. By serving our unmet social needs — in slum clearance and housing, education and training, health, agriculture, natural resources and regional development, social insurance and welfare programs — we can achieve and sustain a full employment economy (itself the greatest single force against poverty) and a higher rate of economic growth, while simultaneously tearing down the environment of poverty. All of these problems interact, whether viewed as causes or results, and they are in truth both.

Only such a massive and sustained program — which sees poverty in terms of the national economy, and not only in terms of the personal characteristics of the poor — can bring success. Goals must be set, along with timetables for achieving them. We must plan the allocation of our resources in accord with our priorities as a nation and a people.

The economic impact of the war in Vietnam and the attendant question of inflation are discussed subsequently and need not be taken up here, except to point out that the "Freedom Budget" is not predicated on cut-backs in national defense nor on one or another position regarding the Vietnam conflict, which is basically a thorny question to be viewed in its own terms. The fundamental proposition is that the broad approaches of the "Freedom Budget" can and should be implemented, whether or not an early termination of the Vietnam conflict is achieved, or even were there to be substantial increase in its economic and financial burdens.

Clearly, however, there are those who would use the Vietnam war and the issue of inflation as sharp weapons to force cut-backs or dangerous slowdowns in the needed rate of expansion of domestic social spending. Their cries might attract more notice had they not, in too many instances, been vociferous opponents of Great Society programs prior to the stepped-up American involvement in Vietnam. And as for the problem of inflation, to the extent it augments, the Federal Government has at its command selective measures to combat it which do not require impairment of Great Society programs of needed magnitudes. If the progress of inflationary pressures should indicate that we are trying to do more than our rapidly-advancing productive resources will support, then a legitimate effort against inflation means cut-backs of the relatively nonessential, not of the vital. A simulated campaign against inflation which punishes those

Marie Rose

who need help most reveals the crocodile tears of those who bewail how inflation hurts the unfortunate. It is important that thinking Americans recognize the selfish character of any assault on needed domestic programs.

As we reject these selfish pleas, so must we reject another argument emanating from different quarters, to the effect that the termination of the Vietnam conflict is the prerequisite for acceleration of domestic social programs. We all desire that termination, on safe and honorable terms; nonetheless, the argument just cited, no less than that of economic conservatives, would hitch the aspirations and long-denied needs of the poor to the outcome of the Vietnam war — a dependency which, we repeat, is neither economically necessary nor morally defensible.

Those drafting this "Freedom Budget" have sought to outline, objectively and fully, the steps required for the abolition of poverty in America. It may be argued that the "Freedom Budget" is too ambitious to be "politically feasible." We contend that the proper question is whether the persistence of poverty is any longer feasible. Can we afford another Watts, and what has happened since? How many examples of seething discontent do we need before we move earnestly to provide jobs for all, clear the slums, rebuild our cities, overcome the shortages of schools and hospitals, and reverse the neglect of our other social needs?

Who, only a few short years ago, would have acknowledged the "political feasibility" of the tremendous legislative victories of the civil rights movement in our own day?

These breakthroughs were not won by those who thought narrowly of what was "politically feasible," but by those who placed the moral issues squarely before the American people. Having stated the issues clearly, they forged a mighty coalition among the civil rights and labor movements, liberal and religious forces, students and intellectuals — the coalition expressed in the historic 1963 March on Washington for Jobs and Freedom.

Social progress is always the trusteeship of those battling constantly to lift the level of "political feasibility." A nation can decay, as all history shows, if the level of "feasibility" is kept too far below what is required to survive and advance. We must ask, not only what is feasible *by* whom, but also what is *needed* by whom.

To the full goals of the 1963 March the "Freedom Budget" is dedicated. Within this coalition of conscience the strength must be mobilized for the implementation of this "Freedom Budget" for all Americans.

A. Philip Randolph

SIGNATORIES OF "FREEDOM BUDGET"*

The "Freedom Budget" embodies a fundamental approach to the elimination of poverty for all Americans, regardless of color, and has other essential purposes. While not necessarily endorsing every detail, I am in broad agreement with its basic objectives and broad outlines.

- | | |
|--|---|
| I. W. ABEL, President
United Steelworkers of America | RALPH BUNCHE, Undersecretary
Spec. Political Affairs, U.N. |
| MORRIS B. ABRAM, President
American Jewish Committee | JAMES MACGREGOR BURNS
Prof. History, Williams College |
| MATHEW AHMANN, Executive Director
Catholic Conf. Interracial Justice | EUGENE S. CALLENDER, Exec. Director
New York Urban League |
| ARNOLD ARONSON, Executive Director
Leadership Conference on Civil Rights | ALAN K. CAMPBELL, Director
Metro. Studies Prog., Syracuse Univ. |
| DAVID T. BAZELON
Writer | THOMAS C. CAMPBELL, Dean
Commerce College, W. Va. Univ. |
| JOSEPH A. BEIRNE, President
Communication Workers of America | STOKLEY CARMICHAEL, Chairman
Student Nonviolent Coord. Com. |
| DANIEL BELL
Prof. Sociology, Columbia Univ. | ETHLYN CHRISTENSEN
National Board, Y.W.C.A. |
| FAY BENNETT, Executive Director
National Sharecroppers Fund | KENNETH B. CLARK, Director
Northside Ctr. for Child Dev. |
| EMILE BENOIT
Prof. Economics, Columbia Univ. | RICHARD A. CLOWARD
Prof. Sociology, Columbia Univ. |
| IRVING BLUESTONE, Asst. to Pres.
United Auto Workers of America | CHARLES COGEN, President
American Federation of Teachers |
| ELI A. BOHNEN, President
Rabbinical Assembly | ELI S. COHEN, Executive Secretary
Natl. Comm. on Employment of Youth |
| ROBERT E. BONDY
Consultant | JACK T. CONWAY, Executive Director
Industrial Union Dept., AFL-CIO |
| RICHARD W. BOONE, Exec. Dir.
Citizens Crusade Against Poverty | E. F. CORBETT, President
Omega Psi Phi Fraternity |
| WILLIAM H. BOOTH, Exec. Director
N.Y.C. Commission on Human Rights | JOHN C. CORT, President
National Cath. Social Action Conf. |
| W. H. BOWE, Intl. Sec.-Treas.
Bro. Sleeping Car Porters | REV. JOHN F. CRONIN, S.S., Asst. Dir.
Dept. Social Action
National Catholic Welfare Conf. |
| OTIS BRUBAKER, Research Director
United Steel Workers of America | DAVID DANZIG
Prof. Social Work, Columbia Univ. |
| MARION E. BRYANT, National Pres.
Natl. Assn. Negro Business
and Professional Women's Clubs | JOSEPH E. DAVIS, President
Carver Fed. Savings & Loan Assn. |
| PORTIA C. BULLOCK, President
Natl. Association of College Women | OSSIE DAVIS
Actor and Playwright |

* Where signatories are identified by organization, this does not necessarily mean that such organizations have endorsed the "Freedom Budget."

REV. THURSTON N. DAVIS, S.J.
Editor-in-Chief, *America*

RUBY DEE
Actress

D. L. DELLUMS, Intl. Vice Pres.
Bro. Sleeping Car Porters

LEWIS C. DOWDY, President
Agric. and Technical College of N.C.

ST. CLAIR DRAKE
Prof. Sociology, Roosevelt Univ.

ALBERT R. DREIBACH, JR., Assoc. Dir.
Episcopal Soc. Cult. & Racial Unity

REV. ROBERT F. DRINAN, S.J., Dean
Boston College Law School

DAVID DUBINSKY, Former President
ILGWU; Vice Pres. AFL-CIO

JAMES R. DUMPSON, Former C'missioner
New York City Dept. of Welfare

LESLIE DUNBAR, Exec. Director
Field Foundation

JOHN K. FAIRBANK, Director
East Asia Res. Ctr., Harvard Univ.

RICHARD A. FALK
Prof. Intl. Law, Princeton Univ.

JULES FEIFFER
Syndicated Cartoonist

PAUL FELDMAN, Editor
New America

JOSEPH H. FICHTER
Professor, Harvard Divinity School

HARRY FLEISCHMAN, Director
Natl. Labor Inst. Amer. Jewish Cmtee.

AUGUSTINE A. FLORES, Past Chrm.
American G.I. Forum

ALEX FULLER, Director
Dept. Civil Rts., United Steelworkers

JOHN KENNETH GALBRAITH
Prof. Economics, Harvard Univ.

JAMES J. GALLAGHER, Exec. Dir.
The John LaFarge Institute

HERBERT J. GANS
Prof. Sociology, Columbia Univ.

WILLIAM S. GARY
Civil Rights Department
Intl. Union of Electrical Workers

G. GERENA-VALENTIN, President
Cong. Puerto Rican Hometowns

RAY GIBBONS, Executive Dir.
Council Christian Social Action

ROBERT W. GILMORE, Director
New York Friends Group, Inc.

WOODROW GINSBERG, Director Research
Industrial Union Dept., AFL-CIO

HARRY GOLDEN, Editor
The Carolina Israelite

NATHANIEL GOLDFINGER, Director
Economics Dept., AFL-CIO

REV. QUINLAND R. GORDON
Executive Council, Episcopal Church

FRANK GRAHAM, Co-Chairman
Natl. Adv. Com. on Farm Labor

REV. DANA GREELEY, D.D., Pres.
Unitarian Universalist Association

JACK GREENBERG, Director-Counsel
NAACP Legal Defense & Education Fund

MAX GREENBERG, President
Retail, Wholesale & Dept. Store Union

BERTRAM GROSS
Prof. Political Sc., Syracuse Univ.

MATTHEW GUINAN, President
Transport Workers Union of America

WILLIAM HABER, Dean
College Lib. Arts, Michigan Univ.

C. J. HAGGERTY, President
Bldg. & Const. Trades Dept., AFL-CIO

PAUL HALL, President
Seafarers Intl. Union

PAUL J. HALLINAN, Archbishop
Catholic Archdiocese of Atlanta

MICHAEL HARRINGTON, Chairman
League for Industrial Democracy

EDLER G. HAWKINS, Past Moderator
Presbyterian Church

DOROTHY HEIGHT, Natl. Pres.
National Council of Negro Women

ROBERT L. HEILBRONER
Prof. Economics, New Sch. Soc. Res.

RALPH HELSTEIN, President
United Packinghouse Workers

VIVIAN W. HENDERSON, President
Clark College

NAT HENTOFF, Author
The New Equality

STANLEY P. HERBERT, Chairman
National Catholic Community Service

MSGR. GEORGE S. HIGGINS, Director
Natl. Catholic Welfare Conference

NORMAN HILL, Staff Representative
Indust. Union Dept., AFL-CIO

RABBI RICHARD G. HIRSCH, Secretary
Relig. Action Ctr., Amer. Hebrew Cong.

JOHN L. S. HOLLOMAN, JR., M.D.
Chairman, National Medical Assn.

IRVING L. HOROWITZ
Prof. Sociology, Washington Univ.

RACHELLE HOROWITZ, Exec. Secretary
Workers Defense League

GEORGE M. HOUSER, Exec. Director
American Committee on Africa

IRVING HOWE, Editor
Dissent Magazine

MARK DEW. HOWE
Prof. Law, Harvard Law School

DAVID R. HUNTER, Exec. Director
Stern Family Fund

HOMER A. JACK, Director
Dept. Soc. Resp., Unit. Universal. Assn.

RUTH J. JACKSON, Chairman
Southern Beauty Congress

REV. F. C. JAMES, Director
Com. Soc. Act., Afr. Meth. Epis. Ch.

GEORGE JAMES, Former Commissioner
N.Y.C. Dept. of Health

THOMAS MILLER JENKINS, Pres.
Albany State College

MORDECAI JOHNSON, Former President
Howard University

VERNON E. JORDAN, JR., Director
Voter Educ. Proj., South. Reg. Cncl.

MARK L. KAHN, Chairman
Dept. Economics, Wayne State Univ.

TOM KAHN, Executive Director
League for Indust. Democracy

LEON H. KEYSERLING
Econ.; Pres. Conf. Econ. Progress

THOMAS KILGORE, JR., Pastor
Second Baptist Church, Los Angeles

MARTIN LUTHER KING, JR., Pres.
South. Christian Leadership Conf.

HARRY L. KINGMAN, Chairman
Citizens Lobby Freedom & Fair Play

ROBERT LEKACHMAN
Prof. Economics, St. Univ. N. Y.

RABBI ARTHUR J. LELYVELD, Pres.
American Jewish Congress

W. N. LEONARD
Prof. Economics, Hofstra Univ.

EARL LEWIS, President
Harlem Neighborhood Assn.

HYLAN LEWIS
Manpr. Spec., Prof., Howard Univ.

JOHN LEWIS, Former Chairman
Student Non-Violent Coord. Com.

JIMMY LITTLE, Editor
New York Courier

ARTHUR J. LOGAN, M.D., Former Chrm.
Haryou-Act

EDWIN J. LUKAS, Director
Civil Rts.-Soc. Act., Amer. Jew. Com.

FLOYD MCKISSICK, Natl. Dir.
Congress of Racial Equality

B. F. MCLAURIN, Zone Supv.
Bro. Sleeping Car Porters

CORNELIA E. MCNAMARA, Natl. Dir.
Bks. for Equal Educ., U.S. Youth Cncl.

T. D. MCNEAL, Intl. Vice Pres.
Bro. Sleeping Car Porters

ALBERT E. MANELY, President
Spelman College

GARTH L. MANGUM, Exec. Dir.
Upjohn Inst. for Employ. Research

FATHER PHILIP MARQUARD
Third Order St. Francis, Chicago

BURKE MARSHALL, Vice-President
Intl. Bus. Machines Corporation

WILL MAZLOW, Executive Dir.
American Jewish Congress

BENJAMIN E. MAYS, President
Morehouse College

MARGARET MEALY, Exec. Dir.
Natl. Council Catholic Women

SAUL H. MENDLOVITZ
Prof. Law, Rutgers Law School

IASIAH MINKOFF, Secretary
Natl. Community Serv. Advisory Cncl.

JOSEPH MONSERRAT, Director
Puerto Rican Migration Division

RT. REV. MSGR. GREGORY L. MOONEY
Dir., Kennedy Community Center

JOHN B. MORRIS, Executive Dir.
Epis. Society Cultural-Racial Unity

DR. JOHN MORSELL, Asst. Dir.
Natl. Assn. Advance. Colored People

EMANUEL MURAVCHIK, Natl. Dir.
Jewish Labor Committee

JOHN COURTNEY MURRAY, S.J., Dir.
John LaFarge Institute

PAULI MURRAY
Professor of Law

GUNNAR MYRDAL
Instit. Intl. Econ. Studies

JAMES M. NABRIT, II, Pres.
Howard University

ROBERT R. NATHAN
Economist

BEN NEUFIELD, Executive Sec.
Natl. Cncl. Agri. Life and Labor

SARAH H. NEWMAN, Exec. Dir.
National Consumers League

REV. DAVID B. NICKERSON, Dir.
Southern Field Service
Epis. Society Cultural-Racial Unity

REINHOLD NIEBUHR, Director
Christianity in Crisis

ELEANOR H. NORTON, Asst. Legal Dir.
American Civil Liberties Union

FREDERICK O'NEAL, President
Actors Equity

L. JOSEPH OVERTON, Natl. Sec.
Negro American Labor Cncl.

RICHARD PARRISH, Treasurer
Negro American Labor Cncl.

JAMES G. PATTON, Former President
National Farmers Union

HAROLD L. PILGRIM, Exec. Sec.
Frontiers International

ALBERT PINON, National Pres.
Community Service Organization

WILLIAM POLLOCK, President
Textile Workers of America

C. B. POWELL, Publisher
Amsterdam News

DR. H. R. PRIMAS, President
National Dental Association

RABBI JOACHIM PRINZ, Former Pres.
American Jewish Congress

LEE RAINWATER
Prof. Econ., Washington Univ.

A. PHILIP RANDOLPH, President
Bro. Sleeping Car Porters

JOSEPH L. RAUH, JR., Vice-Chrm.
Americans for Democratic Action

L. D. REDDICK
Prof. Hist., Coppin St. College

KURT REICHERT, Assoc. Prof.
Soc. Wrk.-Research, Bryn Mawr College

WALTER P. REUTHER, President
United Auto Workers of America

HOBSON E. REYNOLDS
Grand Exhaulted Ruler
Improved Bene. Ord. Elks of the World

DAVID RIESMAN
Prof. Sociology, Harvard Univ.

FRANK RIESSMAN
Prof. Education, New York Univ.

CLEVELAND ROBINSON, President
Negro American Labor Council

JOSEPH B. ROBISON, Director
Com. Law & Social Justice
American Jewish Congress

BAYARD RUSTIN, Executive Director
A. Philip Randolph Institute

GEORGE P. SABATTIE, President
United Transport Serv. Employees

LOUIS B. SCHWARTZ
Prof. Law, Univ. Pennsylvania

ALBERT SHANKER, President
United Fedcration of Teachers

HORACE L. SHEFFIELD
Intl. Rep., Citizenship Dept., UAW

LEON SHULL, National Director
Americans for Democratic Action

J. DAVID SINGER
Prof., Mental Health Res. Inst.
University Michigan

DON SLAIMAN, Director
Civil Rights Dept., AFL-CIO

JOHN SLAWSON, Exec. Vice-Pres.
American Jewish Committee

ASHBY G. SMITH, President
Natl. Allian. Postal & Fed. Employees

ROBERT W. SPIKE
Prof. Ministry, Univ. Chicago

CHARLES S. SPIVEY, JR., Dean
Payne Theological Seminary

BENJAMIN SPOCK, M.D., Natl. Chrm.
Committee for Sane Nuclear Policy

REV. AUSTIN J. STALEY
Prof. Sociology, St. Vincent's Col.

CARL B. STOKES, Vice President
Urban League

LOUIS STULBERG, President
Intl. Ladies Garment Wkrs. Union

DAVID SULLIVAN, President
Bldg. Serv. Employees Union

REV. LEON SULLIVAN, Chairman
Community Indust. Cir. Phila.

MITCHELL SVIRDOFF, Director
N.Y.C. Dept. Human Resources

NORMAN THOMAS, Chairman
Post World War Council

JAMES E. TURNER, Director
Dept. Fair Prac., United Rubbers Wkrs.

GUS TYLER, Assistant President
Intl. Ladies Garment Workers Union

REV. JAMES L. VIZZARD, S.J., Dir.
Natl. Catholic Rural Life Conf.

JERRY VOORHIS, Executive Dir.
Cooperative League

HARRY WACHTEL, Exec. V. Pres.
American Foundation Nonviolence

BISHOP WILL J. WALLS
African Methodist Epis. Zion Church

MICHAEL WALZER
Prof. Political Sci., Harvard Univ.

ROWLAND WATTS, President
Workers Defense League

NAT WEINBERG, Director
Spec. Proj. & Econ. Analysis, UAW

RABBI JACOB WEINSTEIN, President
Central Conf. American Rabbis

HUNTER P. WHARTON, President
Intl. Union Operating Engineers

KATIE E. WHICKAM, President
Natl. Beauty Culturists League

ELIZABETH WICKENDEN
Social Welf. Consultant
Natl. Social Welfare Assembly

ROY WILKINS, Executive Director
Natl. Assn. Advance. Colored People

ROBERT E. WILL
Prof. Economics, Carleton College

PEARL L. WILLEN, President
Natl. Council of Jewish Women

ROBIN MURPHY WILLIAMS, JR.
Prof. Sociology, Cornell Univ.

GAYRAUD S. WILMORE, JR., Exec. Dir.
United Presby. Com. Relig. & Race

WILLIAM WOLPERT, President
United Hebrew Trades

C. VANN WOODWARD
Prof. History, Yale Univ.

JERRY WURF, President
Amer. Fed. St., Co. & Munic. Employees

WHITNEY M. YOUNG, JR., Exec. Dir.
National Urban League

CHARLES S. ZIMMERMAN
Natl. Trade Union Cncl.
Human Rights Jewish Labor

Contents

	<i>Page</i>
I. The "Freedom Budget" in Brief	1
Basic principles	1
Basic objectives	2
The key role of our Federal Government	3
The "economic growth dividend" in the "Freedom Budget": uses of this dividend	5
Responsibilities of the Federal Budget	8
Specific full employment goals	10
Specific goals for liquidation of U. S. poverty	11
Specific goals for wiping out the slum ghettos	12
Investment in health services, education, and training	12
Lifting our welfare services to meet the need	13
Improving rural life.....	13
How to contain inflation.....	14
The challenge, 1966-1975	15
II. Why We Need A "Freedom Budget"	16
Identity of our domestic and international purposes.....	16
The urgency of the challenge.....	16
Budgeting our resources and needs.....	17
III. The Role Of The American Negro In The "Freedom Budget" ..	19
The "Freedom Budget" will benefit all.....	19
The "Freedom Budget" in relation to civil rights.....	19
IV. How Much We Can Do: The "Economic Growth Dividend"	21
The costs of high unemployment and low economic growth.....	21
"Economic growth dividend," 1966-1975	21
V. Budgeting The Great Priorities Of Our National Needs	23
The great priorities of the "Freedom Budget" in summary.....	23
The U.S. economic problem is a moral problem.....	24
VI. Sustained Full Employment: First "Means" Priority In The "Freedom Budget"	25
Full employment vital: unemployment now	25
The size of the full-employment task.....	28
Aggregate approach to full employment.....	28
Structural approach to full employment.....	30
Preparing an effective full-employment program.....	31

Contents (continued)

	<i>Page</i>
VII. Elimination Of U.S. Poverty: The First "End" Priority In The "Freedom Budget"	34
The amount of U.S. poverty, and goals for its reduction.....	34
The related problem of deprivation.....	36
Importance of improved income distribution.....	37
Main approaches to the reduction of poverty.....	38
The problem of "the working poor": minimum wage legislation....	42
The more generalized wage problem.....	43
VIII. Replacing The Slum Ghettos: "End" And "Means" Priority In The "Freedom Budget".....	44
How many are ill-housed, and why.....	44
Housing goals through 1975.....	46
Why is public housing called "unpopular".....	47
Impact of improved housing upon urban renewal, economic growth, and employment.....	48
Accompanying social benefits.....	50
IX. Agriculture, Natural Resources, and Regional Development	51
The "farm problem"	51
Conservation and replenishment of natural resources.....	53
Regional development and the distressed areas.....	54
X. Direct Investment In Human Resources: Education, Training, And Health	55
Education	55
Training and retraining.....	56
Health services and research.....	56
XI. Social Insurance, Welfare, And Guaranteed Incomes	59
OASDHI and public assistance for the elderly.....	59
Other deficiencies in welfare programs.....	60
Unemployment insurance and workmen's compensation.....	62
Toward a unified nationwide system of guaranteed incomes.....	63
XII. Economic Feasibility Of The "Freedom Budget": The Role Of The Federal Budget	65
Proposed priority programs in the Federal Budget.....	65
Reasonableness of the Federal Budget projections.....	67
Tax implications of the proposed Federal Budget.....	68
Allowance for excessive optimism in the estimates.....	70
XIII. The Moral Aspects Of The Problem Of Inflation	71
A balanced view of the inflationary danger.....	71
The moral or social question.....	72

Charts

How Much We Have To Work With, 1965-1975, Based On Economic Growth Projections.....	76
Number In U.S. Living In Poverty, Deprivation, Comfort, And Affluence, 1964, And Goals For 1970 And 1975.....	77
The "Freedom Budget, 1970 And 1975 Goals For Employment, Production, And Spending Projected From Levels In 1965.....	78
The "Freedom Budget," 1970 And 1975 Goals For Gains In Incomes, Projected From Levels In 1965.....	79
Role Of The Federal Budget In The "Freedom Budget".....	80
The "Freedom Budget" Maintains Balance Of Public And Private Responsibilities	81
Technical Note	82

I. The "Freedom Budget" In Brief

Basic principles

The "Freedom Budget" stems from seven basic principles:

(1) Freedom on the American scene must include what Franklin D. Roosevelt called "freedom from want." This can be achieved, not by the power of any one group, but by the power of a fully-employed U.S. economy plus the power of the aroused conscience of the American people;

(2) "Freedom from want" for an increasing majority of our citizens is not good enough; it must embrace all. Our economy is rich enough, and should be just enough, to reject as intolerable the ghetto within stone's throw of the duplex apartment; the alien worlds of slums and suburbs; the unemployment rate four times as high in some localities as in the nation at large; the millions receiving substandard wages despite many thousands of millionaires; the low-income farmers despite luxury restaurants; the poverty among 34 million and the deprivation among another 28 million, in a land where median family income is now close to \$7,000, and where the families in the top income fifth have about eight times as much income as the families in the lowest income fifth. We have already received tragic warning that there is no prospect for domestic tranquility in a nation divided between the affluent and the desperately poor;

(3) The U. S. economy has the productive power to abolish "freedom from want" by 1975, not by pulling down those at the top but by lifting those at the bottom, if we start *now* and do our best. What we have the power to do, we will in fact do, if we *care* enough about doing it. The real issue is neither economic nor financial, but moral;

(4) Our economy is now too abundant for the poverty or deprivation still afflicting almost a third of a nation to be explained mainly by the personal characteristics of the victims. True, personal deficiencies have a bearing upon the economic condition of many individuals. But it is even more true that deficiencies in nationwide policies and programs, evidencing a default in the national conscience, spawn and perpetuate these personal deficiencies. Just as malaria has been stamped out more by clearing swamps than by injecting quinine, the main attack upon poverty and deprivation must deal more with the nationwide environment than with the individual. Beyond this, the modern technology has advanced to

the point where every American should enjoy "freedom from want," regardless of personal characteristics;

(5) While "freedom from want" by 1975 will require action at all levels, private and public, the leadership role must be taken by our Federal Government. It alone represents all the people. Its policies and programs exert the most powerful single influence upon economic performance and social thinking. We accept this principle without question during a total war against external enemies. A "war against poverty" establishes the same principle on the domestic front;

(6) A war against want cannot be won with declarations of intent. It cannot be won with token or inadequate programs which identify areas of need, but apply policies and programs which only scratch the surface. It demands specific quantitative goals, fully responsive to the need, and commitment to their attainment;

(7) This war against want must be color blind. Negroes will benefit most relative to their numbers because, for reasons not of their making, want is most heavily concentrated among them. But in absolute numbers, the vast majority of those yearning for release from want are white. And those already free from want, both white and nonwhite, cannot enjoy fully the benefits of economic progress and the blessings of democracy until "freedom from want" becomes universal throughout the land.

Basic objectives

Founded upon these principles, the seven basic objectives of the "Freedom Budget" are these:

(1) *To restore full employment as rapidly as possible, and to maintain it thereafter, for all able and willing to work, and for all whom adequate training and education would make able and willing.* This means an unemployment rate below 3 percent by early 1968, and preferably 2 percent. Full 40 percent of all U.S. poverty is due directly to inadequate employment opportunity, and involuntary unemployment is corrosive of the human spirit;

(2) *To assure adequate incomes for those employed.* About 20 percent of all U.S. poverty is among the working poor (including their dependents) who receive substandard wages. In addition, millions of farm families and others in rural areas have substandard incomes. Treatment of these problems depends primarily upon Federal legislation;

(3) *To guarantee a minimum adequacy level of income to all those who cannot or should not be gainfully employed.* About 40 percent of

all U.S. poverty is among those who cannot or should not work because of age or other disabling factors. More than 13 percent of all U.S. poverty is among families headed by women who should not work. Until, under Federal auspices, we achieve such a guaranteed income, there should be immediate and vast improvements in all Social Security and welfare programs, with much larger Federal participation;

(4) *To wipe out the slum ghettos, and provide a decent home for every American family, within a decade.* Foul housing is both cause and consequence of poverty. It breeds resentment and unrest. Housing and urban renewal, on a scale matching the need, would also make the largest single contribution to job creation in the face of job displacement by technological trends elsewhere in the economy. It would accent the types of jobs most suitable for absorbing those now most vulnerable to unemployment;

(5) *To provide, for all Americans, modern medical care and educational opportunity up to the limits of their abilities and ambitions, at costs within their means.* The shortage of personnel and facilities upon enactment of Medicare (which helps only the aged portion of the population) speaks for itself. Many schools in our great cities are a shambles;

(6) *To overcome other manifestations of neglect in the public sector, by purifying our airs and waters, and bringing our transportation systems and natural resource development into line with the needs of a growing population and an expanding economy.* This, too, would provide the types of jobs most suited to reducing unemployment. Along with housing and urban renewal, it would immensely improve the living conditions even of those who already enjoy "freedom from want" in a more limited sense;

(7) *To unite sustained full employment with sustained full production and high economic growth.* This is essential, in order that "freedom from want" may be achieved, not by robbing Peter to pay Paul, but under conditions which bring progress to all.

The key role of our Federal Government

The "Freedom Budget" sets forth the above seven basic objectives in specific and quantitative terms. It sets time schedules for their accomplishment. It establishes their feasibility by means of a balance sheet of all of our needs and resources, with due allowance for all of our other private and public undertakings and aspirations as a nation and a people.

In this way, the "Freedom Budget" is a call to action. But the response to this call must take the form of national programs and policies, with the Federal Government exercising that leadership role

which is consistent with our history, our institutions, and our needs. The six prime elements in this Federal responsibility are now set forth.

(1) *Beginning with 1967, the President's Economic Reports should embody the equivalent of a "Freedom Budget."* These Reports should quantify ten-year goals for full employment and full production, for the practical liquidation of U.S. poverty by 1975, for wiping out the slum ghettos, and indeed for each of the seven basic objectives set forth in the "Freedom Budget." With due allowance for private and public performance at other levels, but with a firm determination by our Federal Government to close the gaps, all major Federal economic, financial, and social policies—including the Federal Budget—should be geared to attainment of these ten-year goals, starting at once in realistic magnitudes;

(2) *The bedrock civilized responsibility rests with our Federal Government to guarantee sustained full employment.* The Government should at once and continuously lead in organizing and financing enough job-creating activities to close the gap between full employment and employment provided at other public and private levels. None of these Federally-created jobs need to be made-work, because our unmet needs in the public sector are large enough to absorb beneficially this Federal effort. Training programs, to be effective, must be synchronized with job creation;

(3) *The Federal Government should exert the full weight of its authority toward immediate enactment of a Federal minimum wage of \$2.00 an hour, with coverage extended to the uppermost constitutional limits of Federal power.* This would be a moderate start toward eradication of substandard living standards among millions of those employed;

(4) *A new farm program, with accent upon incomes rather than prices, should focus upon parity of income for farmers and liquidation of farm poverty by 1975.* More than 43 percent of all farm families now live in poverty, contrasted with only 13 percent of all nonfarm families;

(5) *To lift out of poverty and also above deprivation those who cannot or should not be employed, there should be a Federally-initiated and supported guaranteed annual income, to supplement rather than to supplant a sustained full-employment policy at decent pay.* The anti-poverty goal alone involves lifting almost all multiple-person families above \$3,130 by 1975.* Pending this, there should be immediate and vast improvements in all Social Security and welfare programs, with greatly enlarged Federal contributions to all of them, including old-age insurance

* See chart on page 77. Money-income concept. About \$4,000, including nonmoney income.

and assistance, general public assistance, special-purpose public assistance, unemployment insurance, and workmen's compensation;

(6) *Fiscal and monetary policies should be readjusted to place far more weight upon distributive justice.* The massive Federal tax reductions in recent years tended to redistribute income with undue concern for those high up in the income structure, and inadequate concern for those lower down. State and local taxes and indirect taxes are so regressive—they bear with such excessive weight upon low-income people—that we should make the Federal income tax much more progressive than now. The decision to rely so heavily upon tax reduction and so little upon increased domestic spending to stimulate the economy was undesirable; it lowered our capacity to serve some of the greatest priorities of our national needs which depend upon public spending and are hardly helped by tax reduction. The current monetary policy does little to curb the excesses in the economy, and places a severe handicap upon activities of utmost urgency, especially housing. The sharply rising interest rates help those most who need help least, and hurt those most who need help most, because it is the lower income people who depend most upon borrowing. We cannot afford to neglect equity and social considerations in fiscal and monetary policies which transfer billions of dollars every year from some to others. Improved income distribution also helps the whole economy.

The "economic growth dividend" in the "Freedom Budget":
uses of this dividend

We cannot enjoy what we do not produce. The "Freedom Budget" recognizes that all of the goals which it sets must be supported by the output of the U.S. economy. This output should grow greatly from year to year, under policies designed to assure sustained maximum employment, production, and purchasing power in accord with the objectives of the Employment Act of 1946.

With such policies, our total national production (measured in 1964 dollars) should rise from about 663 billion in 1965 to 1,085-1,120 billion by 1975. This would mean, for the ten years 1966-1975 inclusive, a level of total national production *averaging annually* 231.5-244.2 billion dollars higher, and *aggregating* over the ten years 2,315-2,442 billion dollars higher, than if total production remained during these ten years at the 1965 rate. This aggregate ten-year figure of 2,315-2,442 billion dollars is the "economic growth dividend" upon which the "Freedom Budget" draws to fulfill its purposes.*

* See chart on page 76.

The "Freedom Budget" does not contemplate that this "economic growth dividend" be achieved by revolutionary nor even drastic changes in the division of responsibility between private enterprise and government under our free institutions. To illustrate, in 1965, 63.7 percent of our total national production was in the form of private consumer outlays, 16.5 percent in the form of private investment, and 19.8 percent in the form of public outlays at all levels for goods and services. Under the "higher" goals in the "Freedom Budget," these relationships in 1975 would be 63.5 percent, 16.9 percent, and 19.6 percent.*

But while the "Freedom Budget" will not be regarded as socialistic, it is indeed socially-minded. It insists that we must make deliberate efforts to assure that, through combined private and public efforts, a large enough proportion of this "economic growth dividend" shall be directed toward the great priorities of our national needs: liquidation of private poverty, restoration of our cities, abolition of the slum ghettos, improvement of rural life, and removal of the glaring deficiencies in facilities and services in "the public sector" of our economy. The "Freedom Budget" thus has moral as well as materialistic purposes.

The use of only a fair and moderate portion of this "economic growth dividend" to support the great priority purposes in the "Freedom Budget" makes it clear that even those who are already affluent or wealthy would not be penalized in any way in order to accomplish these great priority purposes. Entirely to the contrary, they would continue to enjoy what they have now, and also share largely and directly in the "economic growth dividend" itself. They would also benefit indirectly in multiple ways by the portions of the "economic growth dividend" used to support these great national priorities.

A few examples will serve to prove the point that only fair and moderate portions of the "economic growth dividend" would be used to support these great national priorities. To cite one outstanding example, based upon the deplorable condition in our cities and the slum ghettos and rural slums, the "Freedom Budget" proposes that total private and public investment in residential structures and related community improvements (measured in 1964 dollars) average annually during the ten years 1966-1975 about 53 billion dollars, or about 530 billion in the aggregate for the ten years. On an average annual basis, this would be about 23 billion dollars higher than about 30 billion of such investment in 1965, and over the ten years it would aggregate about 230 billion dollars higher than if

such investment were maintained throughout these ten years at the 1965 rate. This 230 billion dollars would be less than *one-tenth* of the economic growth dividend of 2,315-2,442 billion dollars. This is a very moderate share of that "economic growth dividend" to apply to a program which would come close to obliterating the slums and providing a decent home for every American family by 1975, and would make the most powerful single contribution toward the rescue of our cities and the creation of employment opportunity.

The portion of this investment in residential structures and related community improvements which would be galvanized by the public subsidies (at all levels) needed to rehouse those among the poor and deprived who live in slums would average annually during the ten years 1966-1975 about 10 billion dollars, or about 100 billion dollars in the aggregate for the ten years. On an average annual basis, this would be about 9 billion higher than about one billion of such investment in 1965, and over the ten years it would aggregate about 90 billion higher than if such investment were maintained throughout the ten years at the 1965 rate. This 90 billion dollars is in the neighborhood of *one-twenty sixth* of the "economic growth dividend."

To take another very significant example, the term "transfer payments" is used to describe those programs such as Social Security and other welfare payments which are designed in the final analysis to transfer a fair portion of the national income toward those who need help most. The "Freedom Budget" proposes that these transfer payments average annually during the ten years 1966-1975 close to 23.8 billion dollars higher than the 1965 rate of 38.5 billion, or aggregate during the ten years about 238 billion higher than if the 1965 rate were maintained during these ten years. This 238 billion dollars is only in the neighborhood of *one-tenth* of the "economic growth dividend."

To take a third example, the "Freedom Budget" proposes a wide variety of programs, private and public, which would come close to the liquidation of U.S. poverty by 1975. In the final analysis, whatever means may be adopted, the liquidation of poverty depends primarily upon increasing the incomes of those who are now poor. It has been estimated reliably that the 34 million American poor would need to receive annually about 13 billion dollars more in income than they now receive to be lifted out of the poverty cellar. In the aggregate during the ten years 1966-1975, this would come to about 130 billion dollars. This 130 billion dollars is only in the neighborhood of *one-eighteenth* of the "economic growth dividend."

* See chart on page 81.

These three illustrations make it clear that the accomplishment of these high priority goals, and the other priority goals set forth in the "Freedom Budget," would involve so small a portion of the "economic growth dividend" that there will be room and to spare despite these priority programs for enormous progress for all. More than that, every program designed to eliminate "freedom from want," including home construction and increasing the purchasing power of our senior citizens and of the poor generally, will contribute to economic growth and enlarge opportunities for private investment and profits.*

Responsibilities of the Federal Budget

While the "Freedom Budget" is based upon combined private and public efforts, the Federal Budget is the most powerful single instrument of national economic and social policy. It profoundly influences the economic climate in which private enterprise operates. It speaks for the needs and aspirations of all the people, and identifies our great national priorities to a degree that they cannot elsewhere be identified.

The "Freedom Budget" proposes a Federal Budget which (measured in 1964 dollars) should rise from 104.045 billion dollars (112.8 billion in current dollars) as contained in the original fiscal 1967 Federal Budget (which is several billion dollars too low) to 135 billion dollars in calendar 1970, and 155 billion in calendar 1975.

The proposals for national defense, space technology, and all international do not represent independent determinations in the "Freedom Budget," but merely reflect the composite judgment of informed experts, and make liberal allowances for increases now in prospect. All of the other proposals are based upon determinations within the "Freedom Budget" as to what part of our "economic growth dividend" should be devoted to priorities which depend upon the Federal Budget.

Total proposed Federal outlays include a Federal contribution of one billion dollars in 1970, and two billion in 1975, to help increase benefit payments to the aged under the Old-Age, Survivors, Disability, and Health Insurance program.

The following table reveals the "Freedom Budget" proposals for the Federal Budget (measured in 1964 dollars).**

* See charts on pages 78 and 79.

** See chart on page 80.

	1967 (Actual)		1970		1975	
	Total Bil. \$	\$ Per Capita	Total Bil. \$	\$ Per Capita	Total Bil. \$	\$ Per Capita
All Federal Outlays	104.1	521.79	135.0	645.93	155.0	685.84
National Defense, Space Technology, All International	64.6	323.77	77.5	370.82	87.5	387.17
All Domestic Pro- grams	39.5	198.04	57.5	275.12	67.5	298.67
Economic Opportu- nity Program	1.5	7.39	3.0	14.36	4.0	17.70
Housing and Com- munity Development	0.1	0.57	3.4	16.03	3.8	16.81
Agriculture and Natural Resources	5.9	29.75	10.5	50.24	12.0	53.10
Education	2.6	13.10	7.0	33.49	9.5	42.04
Health Services and Research	3.3	16.74	4.8	22.97	7.0	30.97
Public Assistance; Labor, Manpower, and Other Welfare Services	4.4	21.92	6.6	31.58	7.5	33.18

The above proposals for the Federal Budget will seem excessive only to those who do not appreciate the growing productive powers of the U.S. economy, under conditions of sustained full employment and full production.

For the ten years 1966-1975 inclusive, Federal outlays as proposed in the "Freedom Budget" would average annually about 35.5 billion dollars higher, and over the ten years aggregate about 355 billion dollars higher, than if the Federal Budget remained stationary during these ten years at its 1965 size of 98.7 billion (calendar years, 1964 dollars). This 355 billion dollars would be only about one-seventh of the "economic growth dividend."

Moreover, when the outlays for national defense, space technology, and all international are excluded from the proposed Federal Budget, the "Freedom Budget" proposals for all domestic programs in the Federal Budget would average annually only about 18.5 billion dollars higher, and over the ten years aggregate only about 185 billion dollars higher, than if

Federal Budget outlays for these domestic programs remained stationary at their 1965 size of 37.7 billion. This 185 billion dollars would be only about *one-thirteenth* of the "economic growth dividend."

Allowing for some proposed *decreases* in Budget outlays (e.g. lower interest rates), about 8 percent of the "economic growth dividend" is earmarked by the "Freedom Budget" for increases, above the 1965 level, for all programs in the Federal Budget addressed to the war against want. This is modest indeed. It should also be noted that this about 8 percent, or about 18.7 billion dollars on an annual average basis, comes to only about 2 percent of the 894.2-906.9 billion dollars which our total national production should average annually, 1966-1975. What could better illustrate that the whole question of whether we "can afford" the "Freedom Budget" is a moral question and not an economic issue?

The proposed Federal Budget would be only 15.38-15.51 percent of total national production in calendar 1970, and only 13.84-14.29 percent in calendar 1975, contrasted with an average of 16.16 percent during the fiscal years 1954-1967. Thus, the size of the Federal Budget relative to the size of the total economy would tend to decline somewhat. However, Budget outlays for all domestic programs would rise from 5.65 percent of total national production in 1954-1967 to 6.55-6.61 percent in 1970 and 6.03-6.22 percent in 1975.

In short, the Federal Budget as proposed in the "Freedom Budget" would not at all distort our traditional concepts of the appropriate relationships among Federal public outlays, public outlays at State and local levels, and private outlays. It would not distort our traditional concepts of a "mixed economy," based upon responsible free government and responsible free enterprise. It would merely use the Federal Budget as a primary instrument toward balanced economic growth and improved social justice.*

Looked at even more broadly, the whole program set forth in the "Freedom Budget" would not subtract from the income of anyone. It would facilitate progress for practically all, but with accent upon the dictates of the social conscience that those at the bottom of the heap should make relatively the most progress.

Specific full employment goals

The first imperative step toward utilizing in full our productive potentials is to restore full employment by early 1968 at the latest, and to

* See chart on page 81.

sustain it thereafter. This must take care of population growth. It must deal not only with full-time and officially-recorded unemployment, but also with the full-time equivalent of part-time unemployment and the concealed unemployment which results from those who are not participating in the labor force (and who therefore are not counted as unemployed) because of scarcity of job opportunity. For example, in late 1966, full-time unemployment of about 4 percent meant a true level of unemployment of about 5¼-6 percent. This means that, compared with 1965, total employment (measured in its full-time equivalent) must be about 4.6 million higher in 1967, 9.3 million higher in 1970, and 16.6 million higher in 1975. The total number of new jobs which must be created is much greater, to allow also for those who will be displaced from old jobs by technological changes.*

Specific goals for liquidation of U.S. poverty

Designating the benefits of sustained full employment and full production as a *means* towards all other objectives, the first *end* priority in the "Freedom Budget" is the practical liquidation of U.S. poverty. Moving adequately toward this goal in every year *beginning now*, the poverty of about 34 million people in 1964 can and therefore should be reduced to only slightly more than 2 million in 1975. The rest of the goal can be achieved shortly thereafter.**

The anti-poverty program, stemming from the Office of Economic Opportunity, should be improved qualitatively and greatly augmented quantitatively. But at best, this program touches only one small aspect of the poverty problem as a whole, which requires for its solution the coordinated utilization of all major national economic policies. This is true both with respect to a full-scale war against poverty in the form of enlarging the private incomes of the poor, and a full-scale war against poverty in the form of programs in the public sector.

Programs designed to improve income distribution are vital to the liquidation of poverty. From the purely economic viewpoint, full resource use cannot be sustained if the situation persists as it was in 1964, when the highest income fifth of all U.S. multiple-person families received 41 percent of total multiple-person family income, and the highest two-fifths 65 percent, while the lowest income fifth received only 5 percent and the lowest two-fifths only 17 percent. In terms of social justice, such maldistribution is intolerable. Practically all major national economic

* See chart on page 78.

** See chart on page 77.

policies affect income distribution, and should be used to affect it progressively, not regressively.

Specific goals for wiping out the slum ghettos

The most fundamental approach to "freedom from want" is guaranteed full employment, plus guaranteed annual incomes for those who cannot be employed. But other efforts in the war against want are essential.

The first of these is to wipe out the slum ghettos which are both the roots and offshoots of poverty, while their replacement would also make the largest single contribution to sustained full employment and the rescue of the urban environment from deterioration and decay.

Traditionally-financed private housing for middle-income and high-income families should average about 1.3 million a year. But we should start moving upward now toward about 400,000 starts of lower-middle income housing in 1968, and about 500,000 in 1970 and on through 1975. This calls for large increases in public outlays for land acquisition and some other purposes, use of Federal loans or credit and other action to drive interest rates downward, and a long-range planned program. Above all, housing starts for low-income families, with annual subsidies to bridge the difference between the annual cost of what these families can afford to pay without excessive strains upon their overall budgets and what decent housing costs, should be lifted year by year to at least 400,000 in 1968, and 500,000 in 1970 and on through 1975, compared with less than *one-tenth* this amount in most recent years. With about 21 million new homes, 1966-1975 (inclusive), almost all American families should enjoy decent homes by 1975. Allowing for feasible increases in State and local efforts, the basic thrust in this connection must come from Federal financial assistance.

Investment in health services, education, and training

Public responsibility, especially at the Federal level, must move immediately and at an accelerating rate toward increased investment in our human resources in the form of health services, education, and training.

Granted the advance represented by Medicare, we need approximately to double within ten years the annual rate of outlays for hospital construction, and to increase at least 50 percent by 1975 the annual number of physician graduates. Seriously inadequate medical care, due to the cost factor, still handicaps about 40 percent of our population. The battle should now be resumed for a nationwide system of health insurance.

For at least six years ahead, we need a construction program very conservatively estimated at more than 100,000 public school classrooms (with related facilities) a year, requiring outlays of about 27 billion dollars. We need about 100,000 new teachers a year in the public schools. We need vast enlargements in facilities and also in teachers at higher levels, accompanied by public financial aid to hundreds of thousands of young people who possess every innate endowment to go to college but lack the means.

Many types of training programs, including vocational, should also be expanded greatly. But we have learned from World War II experience, and experience during other periods of full employment, that the problem of training is reduced to manageable proportions when job opportunities are not lacking. Moreover, a ten-year projection of the volume and structure of full-employment requirements would show us better what to train people for. Training them for jobs which do not materialize adds to frustration and discontent.

Lifting our welfare services to meet the need

This summary cannot detail all of the deficiencies in the nationwide medley of welfare services. Many of them are both inadequate and degrading. They institutionalize poverty instead of fighting it. The largest group of those dependent upon organized public payments are our senior citizens. About two-thirds of them live in poverty, and receive benefit payments (upon which most of them depend almost entirely for their livelihoods) averaging somewhere between one-third and one-half of the income required to lift them above poverty.

With large Federal contributions to offset in part the undesirable features of payroll taxes which take away with one hand in order to give with the other, the average old-age insurance benefits should be approximately doubled within five years. Other types of welfare payments should be increased in similar manner. *As already indicated, we should start working now toward replacing this medley of inadequate efforts with a more universal and unified system of guaranteed incomes for those who cannot or should not be gainfully employed.*

Improving rural life

The extraordinary concentration of poverty in rural America, the economic disenfranchisement of a majority of our farm people, and the

lag in public services in rural areas even relative to the gross deficiencies in urban areas, call for both general and specialized approaches. Most of these point ultimately to Federal responsibility, both in the form of a drastically reconstructed national farm policy and Federal equalization policies designed to help the poorer areas of the nation serve public needs. Underemployment is rife in agriculture. Hired farm workers, especially migratory, are among the most neglected and exploited people in America.

How to contain inflation

The "Freedom Budget" is not neglectful of the problem of inflation. Its attainment would not generate the classical type of inflation which results from attempting to do more than our productive resources can support, because the "Freedom Budget" goals for economic growth are based upon reasonably conservative estimates of the growth in the civilian labor force and in productivity. The high degree of price stability 1961-1965, compared with recurrent inflationary trends during 1953-1961, indicates that an adequate rate of economic growth is more conducive to price stability than an inadequate rate of economic growth punctuated by recessions. The reappearance of considerable price inflation 1965-1966, at a time when the real rate of economic growth was beginning to slow down, and when idleness of manpower and other productive resources was still too high, indicates in the main that the selective price inflation during this period was not due to excessive pressure upon our productive resources but rather to business decisions to increase prices which were not justified in view of very high profit levels. Indeed, some of these price increases may have reflected the desire of some industries to "get while the getting was good" in the face of some important signs of economic softening. The remedy for this type of selective inflation is to take selective measures to curb it, not to abandon the essential goal of adequate economic growth and full employment and production.

But even if this analysis is not entirely correct, this would not negate the urgency of achieving all of the great priority programs quantified in the "Freedom Budget." It would simply mean that we should use tax policy and other measures to restrain marginal enjoyments instead of sacrificing what we need most. There is plenty of room in the U.S. economy for social justice; and if the total productive powers of the economy are hard-pressed, that is all the more reason to put first things first. We did not starve munition production to fight inflation during World War II; we should not dull the weapons in the war against want if we need to fight inflation now.

The challenge, 1966-1975

If the "Freedom Budget" becomes the living law of our national economic and social goals, policies, and programs, we can convert an abundance which already exceeds the most fanciful expectations of a decade ago into an America by 1975 where poverty has come close to total abolition; where every American enjoys a decent home in a suitable living environment; where our cities have become places in which to live instead of places to move out of as rapidly as possible; in which the educational and health services enjoyed by all of the people will be abreast of the advances in knowledge and science; in which the poisons will have been extracted from our airs and waters; in which our natural resources and means of transportation will be conserved and replenished; and in which the incomes of all, while by no means equal, will be equal to the requirements for living without want or economic fear, by virtue of employment for those willing and able, and by other appropriate methods for those not able to be employed.

Most important of all, we shall have recognized that the foundation of a Great Society is a Just Society. The "Freedom Budget" does not ask for the moon, but only for justice here on earth, in a land so well able to afford it.

II. Why We Need A "Freedom Budget"

Identity of our domestic and international purposes

The American people today are torn by two seemingly conflicting purposes. On the one hand, they have been stirred to their depths by the "war against poverty" and by other splendid goals of the Great Society. They want to move forward toward these goals, and regard this properly as an essential economic and social follow-through on recent progress toward civil rights in racial relations. On the other hand, many of them believe that we must slow down instead of speed up the practical pursuit of these objectives, because of the war in Vietnam and the rising costs of national defense and related activities. Current national policies and programs, in the main, embody this viewpoint. So long as this seeming conflict is not resolved, we the American people remain divided among ourselves.

But this seeming conflict is not a real one. By common consent and by every public proclamation, no effort we are making anywhere in the world has any basis except to defend and advance the frontiers of freedom. These frontiers are not measured by lines upon a map, but rather by the ideals and human purposes we and other peoples live by. And the image we project overseas is but the reflection of what we do at home, in terms of human progress and social justice. All history teaches us, and never was the lesson more manifest than in this second half of the 20th century, that it would profit a nation nothing to protect its shores but lose its soul.

The urgency of the challenge

Our people feel in their hearts that the extirpation of poverty and deprivation, unemployment, and other injustice in the U.S. is central to all of our efforts everywhere. But we have not marshalled the needed sense of urgency, partly because freedom from want has become the general rule rather than the exception in the U.S. But any complacency on this score is a tragic and dangerous irony, because the very conditions which feed this complacency bespeak our economic and institutional power to bring freedom from want and some measure of affluence to all of our citizens — commencing immediately, and reaching these goals within a decade. Then, we will set new goals.

As an example of the current irony, even the Negroes in Watts today may be better off in material terms than their counterparts of fifty years ago, or very large segments of the American people during the depths of

the Great Depression thirty years ago. But the profound difference is that the unemployment and poverty and deprivation of those earlier times was merely a tragedy, because we had neither the economic resources nor the know-how to deal with them. Today, because we have both the resources and the know-how, the millions of unemployed, the 34 million living in poverty, and the 28 million living above the poverty level but in deprivation, nonetheless take on also the aspects of a national crime.*

The situation in Watts, and to a degree elsewhere, erupted in volcanic form because the people there knew or felt that their deep troubles were interlaced with manifest injustice. And this eruptive potential is seething just below the surface in portions of almost every large city in the U.S., awaiting only some slight additional pressure or some unpredictable event to spark the explosion. Because of the very nature of this situation, the advances in general prosperity and employment are multiplying the fundamental pressures by the contrasts which they sharpen.

Budgeting our resources and needs

Responsive in part to these pressures, a growing sense of urgency may more fully arouse the national conscience. But how fast this flame of conscience succeeds in consuming the evils against which it protests depends upon how boldly and quickly we translate it into massive program action. If we continue to let the towering size of our troubles, and the costs of overcoming them, lead to indecisiveness or faltering measures, then we will indeed be letting our consciences make cowards of us all.

In view of the conflicting purposes referred to at the outset, goodwill in itself will not be enough. It must be accompanied by awareness among the American people of what we have the economic and financial strength to accomplish. That is why we need a specific "Freedom Budget," measuring our needs against our abilities to serve them. During World War II, when we were engaged in a total struggle against external enemies, we budgeted our total resources and needs. As no nation is ever strong enough to do everything at once, we also established a clear set of priorities, both civilian and military, added the ingredient of equity, and set goals accordingly. We were then able to bring all policies and programs

* Those living in deprivation are above the poverty-income ceiling but without sufficient income to prevent them from suffering serious denial of basic requirements. In this discussion, the deprivation-income ceiling (\$5,000 for a family) is lower than the amount of income required for a "modest but adequate" budget (\$6,000 for a family). Contrasted with the 28 million living in deprivation, about 47 million persons in families and unattached individuals in 1964 lived above poverty but below the "modest but adequate" budget.

into focus toward accomplishment of these goals. And aside from the draft of military manpower, we did this without impairment of voluntary action, and actually strengthened our manifold institutions of freedom.

Because we did this during World War II, we maintained full employment, and lifted living standards and reduced poverty more rapidly than ever before, even while burning up half our production fighting external enemies. If we now benefit by this lesson with appropriate adaptations, what could we not accomplish in the few years ahead, as less than one-tenth of our total production is now devoted to national defense, and as a much higher percentage is not anticipated?

III. The Role Of The American Negro In The "Freedom Budget"

The "Freedom Budget" will benefit all

In one sense the American Negro, relative to his numbers, has an unusually large stake in a "Freedom Budget." When unemployment is excessive, the rate tends to be more than twice as high among Negroes as others. Viewing U.S. multiple-person families in 1964, 37.3 percent of the nonwhites lived in poverty with annual incomes under \$3,000, contrasted with only 15.4 percent of the whites. About 14 percent of the nonwhite families had incomes between \$1,000 and \$2,000, contrasted with 5.4 percent of the whites. And 7.7 percent of the nonwhite families had incomes below \$1,000, contrasted with only 2.7 percent of the whites. Among unattached individuals, 52.3 percent of the nonwhites lived in poverty with annual incomes under \$1,500, contrasted with 40.5 percent of the whites; and 35.8 percent of the nonwhites were below \$1,000, contrasted with 24.4 percent of the whites.*

Thus, the only reason why the Negro will benefit relatively more than others from the liquidation of excess unemployment and poverty is not because he is a Negro, but rather because he is at the bottom of the heap.

Aside from this dismal phenomenon, which is a liability rather than an asset to the Negro, others will benefit far more in absolute numbers through achievement of the goals of the "Freedom Budget." There are far more unemployed among whites than among nonwhites. In 1964, 6.6 million white families and 4.2 million white unattached individuals lived in poverty, contrasted with 1.8 million nonwhite families and 0.9 million nonwhite unattached individuals.**

The "Freedom Budget" in relation to civil rights

There is an absolute analogy between the crusade for civil rights and liberties and the crusade which the "Freedom Budget" represents. This is

* The Office of Economic Opportunity, based upon the studies of Mollie Orshansky, now uses poverty-income ceilings of \$3,130 and \$1,540, respectively, for multiple-person families and unattached individuals, but distributions by color are not readily available on this basis. However, the distribution by color would be roughly the same as indicated above. In the more extensive treatment of poverty later on in the discussion, the O.E.O. poverty-income ceilings are used.

** As the nonwhite families living in poverty averaged larger in size than the white, between a third and a fourth of all persons living in poverty were nonwhite.

because the "Freedom Budget" would achieve the freedom from economic want and oppression which is the necessary complement to freedom from political and civil oppression. And just as the progress thus far made on the front of civil rights and liberties has immeasurably strengthened the entire American political democracy, so will the "Freedom Budget" strengthen immeasurably our entire economic and social fabric.

The Negro's greatest role on both of these fronts is not as a beneficiary, but rather as a galvanizing force. Out of his unique suffering, he has gone a long way toward awakening the American conscience with respect to civil rights and liberties. The debt which the whole nation owes him will be increased many times, as he helps to win the battle against unemployment and poverty and deprivation.

IV. How Much We Can Do: The "Economic Growth Dividend"

The costs of high unemployment and low economic growth

Before we kneel supinely before the false idol of what we "cannot afford," we should appraise realistically the potentials of the U.S. economy.

A good starting point is to consider how much we have forfeited by the excessively high rate of unemployment and the low annual average rate of economic growth since the end of the Korean war. From the beginning of 1953 through the end of 1965, actual employment, measured by man-years of work, was about 38 million below what it would have been if full employment had been sustained. The loss in total national production, measured in 1964 dollars, is more difficult to estimate. But responsible estimates of this loss range from 500 billion dollars to more than 700 billion for the thirteen years as a whole, or an annual average of from about 38 billion to about 54 billion. The significance of this loss is indicated by the fact that the difference between the actual annual incomes of the 34 million Americans now living in poverty and the annual incomes required to lift all of them out of the poverty cellar would be somewhere in the neighborhood of 13 billion dollars. The reduction of poverty during these thirteen years was only a minor portion of what it would have been with sustained full employment and production, accompanied by allocation of an appropriate portion of our total national production toward the reduction of poverty.

"Economic growth dividend," 1966-1975

Developments during the most recent years, when unemployment has been reduced considerably and the rate of economic growth accelerated greatly (even though we have not moved nearly far enough on either of these two fronts), give reasonable assurance that we can make much better progress in the years ahead, if we adopt suitable policies and programs.

The estimates of our economic growth potentials by competent organizations and individuals vary in degree, although they are usually within similar broad ranges. These variations derive from differing emphases and value judgments; within limits, the rate of economic growth depends upon the exertions we are willing to undertake, the priorities to which we attach most importance, and the policies and programs we adopt.

V. Budgeting The Great Priorities Of Our National Needs

The "Freedom Budget" is based upon an average annual economic growth rate of about 4½-5 percent from 1968 through 1975, and a higher rate until full resource use is restored by early 1968 at the latest. More specifically:

Our total population is estimated to rise from 194.6 million in 1965 to 224.6 million in 1975, a gain of more than 15 percent.

Taking account of the growth in the civilian labor force induced by a full-employment environment, and if we commit ourselves to the restoration of full employment by early 1968 at the latest and its maintenance thereafter, total civilian employment should rise from 72.2 million in 1965 to 88.8 million in 1975, a gain of about 23 percent.

It is much more difficult to make estimates as to future gains in output per man-hour or productivity in the private economy, and the competent estimates vary considerably. The competent estimates as to the annual productivity-growth potential which have received the most attention appear to range from 3 percent to 3.8 percent. For the purposes of the "Freedom Budget," a range of from 3¼ percent to about 3¾ percent is utilized. This does not seem excessive, as the average annual rise in productivity in the private economy was about 3.6 percent between 1961-1965, and productivity trends in the future should be favorably influenced by a full-employment environment, and by ever-improving programs of training and education.

Combining these estimates of the growth in the civilian labor force and the gains in productivity, and allowing for a gradual reduction in the length of the work week in accord with recent trends, it appears that, measured in 1964 dollars, our total national production of goods and services (GNP) should rise from almost 663 billion dollars in 1965 to 1,085-1,120 billion by 1975, or about 64-69 percent.

Movement toward a total national production which should be about 422-457 billion dollars higher in 1975 than it was in 1965 would mean this: We would enjoy total national production *averaging per year* from 1966 through 1975 (inclusive) 231.5-244.2 billion dollars higher, and *aggregating* during the ten-year period as a whole 2,315-2,442 billion higher, than if total production remained at the 1965 level.*

It is perfectly plain that, if we use this "economic growth dividend" well, we can meet all of the great priorities of our national needs, and combine this with large additional progress for those at practically all income levels.

* See chart on page 76. As to other estimates of our economic growth potentials, and in order to appreciate that these other estimates do not significantly change the basic impact of the "Freedom Budget," see Technical Note.

Of course, we could not achieve the indicated gains in total national production of goods and services without sustained full employment (from early 1968 forward). But it might theoretically be possible (although there is much doubt on this point) that we could achieve the indicated gains in total employment and production without meeting some of the great priorities of our national needs. We might conceivably make these gains with millions still living in poverty while they worked to help lift others from affluence to riches; and without rebuilding our cities, clearing our slums, or concentrating upon the other goals of a Great Society. In that event, we would become an example to all mankind of a land where wealth accumulates and men decay.

The great priorities of the "Freedom Budget" in summary

The great priorities of our national needs may be stated very quickly and simply. They are (1) to assure opportunity for year-round employment to all of those able to work and wanting to work, including those whose abilities need lifting through training and education; (2) to obliterate what might be called "private poverty," by assuring a decent American standard of income and living — advancing as our economic capabilities grow — to all those who are at work, and also to all those who cannot or should not work for one valid reason or another; and (3) to eliminate the poverty in the "public sector" of the American economy. This means remedying the glaring deficiencies represented by decaying cities; obsolescent transportation systems; neglected natural resources; polluted airs and waters; rural shortfalls even more glaring than those in urban areas; lack of adequate educational opportunity for all, in accord with their ambitions and abilities and the needs of an advancing technology; lack of satisfactory medical care for all, at costs within their means, compatible with the advances in medical science; and outmoded social insurance and welfare payments, which do not allocate a fair share of our national production and wealth to those unable to enter into or remain within the production process because of age or other condition of disability. It goes without saying that our great national priorities relate also to national defense, space technology, and international economic and technical assistance. These programs are also allowed for amply in the "Freedom Budget," but they are in general beyond the scope of this discussion.

We now face a curious paradox in general public thinking. Even while there are those who question whether we can "afford" to meet these great priorities of need, there are others who question where the markets will come from to absorb our rapidly advancing productive powers, as the only alternative to massive unemployment. While we should do all that we can to help those overseas whose poverty is so extreme that it makes our poor families look affluent by comparison, the greatest undeveloped market in the world for our own products is among our 62 million citizens who are still poor or deprived, including the opportunity to reshape the sordid physical environments in which they and so many of the rest of us live.

The U.S. economic problem is a moral problem

Stated in another way, the so-called economic problem in the U.S. is really a moral problem. Some of the underdeveloped countries of the world, India for example, must temporarily hold down to a snail's pace the rate at which they increase the living standards of their indescribably poor populations. This is because they must bend every effort toward expediting capital equipment and industrial development — their real source of hope in the long-run. In vivid contrast in the United States, the immediate and progressive fulfillment of our moral obligations to our people's welfare is the surest method of promoting economic growth, capital accumulation, investment in production facilities, and profits.

We may now turn to more specific consideration of our great priorities of needs. We must remember always that we cannot serve these by glowing declarations of intent; we must quantify the magnitudes of the various needs, prove that we have the capabilities to meet them, and allocate sufficient portions of our great and growing resources to them. This, again, is the essential meaning of the "Freedom Budget."

VI. Sustained Full Employment: First "Means" Priority In The "Freedom Budget"

Sustained full employment is treated as the first "means" priority in the "Freedom Budget," because it is so highly relevant to attainment of all of the other great priorities. For in the preponderance of cases, decent living standards depend upon employment at decent pay. This is not to deny that full employment is an imperative "end" in itself. There is nothing more withering of the human spirit, and even of physical well-being, than for one to be told "you are not wanted" by the economic society in which one lives.

But even aside from this "end" value of full employment, the preceding depiction of how much we can expand our total production of goods and services in the decade ahead *with* full employment, and the subsequent depiction of how much this full production would yield in terms of human progress, make clear why full employment must be regarded as the top "means" priority. We cannot *use* what we do not *produce*. The thesis that mass unemployment would be tolerable (even assuming guaranteed incomes for all, including the unemployed) is defeatist beyond description.

Thus, the "Freedom Budget" rejects all "explanations" or extenuations of excessive unemployment, beyond the "frictional" minimum. It sets out to budget and create enough jobs to restore full employment at the earliest practical point in time, and to maintain it thereafter.

Full employment vital: unemployment now

The prime reason why full employment is the first "means" priority is that it is by far the most important single approach to the eradication of poverty. This truth is hidden by stressing the wide numerical disparity between the 34 million poor and a full-time unemployment rate of not far from 4 percent or only about 3 million people, comprising with their dependents perhaps fewer than 9 million people, in that many of the unemployed are unattached individuals.

In the first place, the full-time unemployment rate now does not take account of the full-time equivalent of part-time unemployment. Underemployment is not consistent with full employment. Nor does it take account of the concealed unemployment among those who are not in the civilian

“They’ve Been Going Together For Quite A While”



HERBLOCK
© 1964 THE WASHINGTON POST CO.

—from *Straight Herblock* (Simon & Schuster, 1964)

labor force (and therefore not counted as unemployed) because scarcity of job opportunity discourages them from looking actively for work, and sends many of them instead into the poolrooms, the streets, and the knife gangs. Unemployment should really be measured against all those of working age who ought to be employed, not just against those actually participating in the civilian labor force. Taking these factors into account, the true level of unemployment (contrasted with the full-time unemployment rate of about 4 percent) is somewhere between $5\frac{1}{4}$ and 6 percent, or the equivalent of about $3\frac{3}{4}$ - $4\frac{1}{3}$ million full-time jobs. Translating these breadwinners into their family equivalents, this comes to about $11\frac{1}{4}$ -13 million people.

In the second place, the *same people* are not unemployed throughout the year. In a year when the full-time unemployment rate averages 4 percent, perhaps 12 percent of the labor force is unemployed for periods averaging about three months within the year. The consequent loss of income drags the majority of them below the poverty-income ceiling for the year as a whole, if they were not there already even when fully employed, because of substandard wages.

Even allowing for the fact that not all of the unemployed and their families are poor, it appears that about 40 percent of all the poverty in the U.S. is directly attributable to full-time unemployment or part-time unemployment, and that another 20 percent are poor because of substandard wages paid to their breadwinners when employed (which in itself is an aspect of an unsatisfactory employment environment). This accounts for about 60 percent of all the U.S. poor.

Moreover, the policies and programs designed to assure sustained full employment would necessarily include enlarging greatly the purchasing power of the other 40 percent of the U.S. poor who cannot or should not be employed. This 40 percent includes almost all of the 27 percent or so of the poor who are in consumer units headed by senior citizens (granted that some of these senior citizens should be accorded employment opportunity). It includes also the about 13 percent of the U.S. poor who are in consumer units headed by women who cannot or should not work (almost 32 percent of the U.S. poor are in consumer units headed by women, but much more than half of these women have or should have job opportunities). Thus, a full-blown employment program would encompass, in one way or another, measures addressed to practically all of the poor, and not just to those in the working-age population.

Further still, sustained full employment would generate the public revenues to finance the public programs which the poor (and others) need,

whether employed or not. To illustrate: If we had enjoyed full employment and production during the period 1953-1965, tax revenues at all levels of government — at actually existing tax rates — would have been about 200 billion dollars more than they actually were. With these additional tax revenues, during the thirteen-year period, we could have built 175 thousand school classrooms, and paid teachers one thousand dollars more each year than they actually received; provided more than 500 thousand additional hospital beds and facilities; increased Social Security payments very substantially by means of public contributions; paid for thirteen years the subsidy contributions on 4 million units of low-rent housing; and used various public types of income-supplementation payments to lift the incomes of all of the poor families in the U.S. to an annual level for each of these thirteen years averaging \$822 more than they actually received. (And there would have been enough left over, from these additional revenues, to have increased economic assistance overseas by about 50 percent, and to have spent about 20 billion dollars more toward expansion of our national defense efforts, if this had been deemed desirable.)

The size of the full-employment task

The size of the task of restoring and then maintaining full employment is immense. Measured from a 1965 base, we need 4.6 million *net* additional jobs (full-time equivalent) by 1967, in order to restore full employment by early 1968; 9.3 million by 1970; and 16.6 million by 1975. Even these estimates understate the problem. They are based upon the assumption that a level of full-time unemployment just below 3 percent of the civilian labor force would be consistent with full employment; we really ought to be moving toward a target of 2½ or 2 percent full-time unemployment, particularly because unemployment hits the "vulnerables" so much harder than it hits the labor force as a whole, and the "ideal" toward which we should strive is employment of everyone who should be participating in the civilian labor force. And these estimates of *net* additions to jobs do not include new jobs for those who will continue to be forced out of their current jobs by technology and automation, and by changing patterns of demand. Thus, it has been estimated that we may need a *gross* total of 22-27 million new jobs by 1975.

Aggregate approach to full employment

The aggregate approach to full employment insists that increases in total spending or demand, if large enough, will eliminate unemployment in excess of "frictional" or minimum unemployment. These increases in total spending may take the form of larger public outlays, without corresponding

increases in taxation. They may take the form of tax reduction to induce more private spending, without corresponding reduction in public spending.

In addition, increases in total spending may be promoted in the private sector by reducing maladjustments in the distribution of income which cause saving to rise faster than it is actually utilized for production and employment purposes; idle manpower and plant are manifestations of such excess saving. These needed corrections in the private sector may be achieved through voluntary adjustments in prices, wages, profits, and investments, which would bring into better balance our ability to produce and our ability to consume. Adjustments in the private sector may also result from public policies which impose private obligations, such as minimum-wage legislation, various aspects of the Social Security program, and some regulatory programs.

In very large measure, the aggregate approach to full employment expresses an inescapable truth. Not a single unemployed person can get a job anywhere (except by taking it away from somebody else), unless there is additional spending to employ this person, *even if there is a current job opening waiting to be filled*. This means more aggregate spending. And since this additional spending adds to our total production of goods and services, there is a clear and direct correlation between the reduction of unemployment and the rate of economic growth. This rate must be speeded up considerably to restore and maintain full employment.

While there can be no doubt that we need even better programs of training and retraining than we now have, we must reject most emphatically the proposition that the *main* reason for excessive unemployment resides in the personal characteristics of the unemployed. This fallacy rests upon failure to distinguish between the reasons why too many are unemployed and the reason why particular people are *selected* for unemployment when there are not enough jobs to go around.

If the current level of full-time unemployment were to rise from about 4 percent of the civilian labor force to 8 percent, due to insufficient spending to hold unemployment steady, the additional unemployment would be mainly among the "vulnerables." These would be the older workers; the young people seeking to enter the labor force for the first time; the semi-skilled and relatively unskilled; the nonwhites rather than the whites, and the women rather than the men, insofar as discrimination against nonwhites and women remained, or because discrimination during the past century and longer has prevented nonwhites and women on the average from having the degree of training and education which others

have. But to say that this would be the reason *why* they became unemployed would be like saying that, if half of the people in a lifeboat died from exposure because they were not as strong as the others in the boat, the cause was the condition of their health rather than the shipwreck. Likewise, if there were too few lifeboats, and the stronger kept the weaker out.

Conversely, the reduction of unemployment to only about one percent of the civilian labor force during World War II provided jobs for those who a few short years earlier were called "unfit," and also for millions who customarily did not enter the labor force at all. And the *creation* of job opportunities provides guidelines to effective training and education which do not otherwise exist.

To state all this in a different way, the fact that Negroes tend to be the first fired and the last hired when jobs are insufficient should not prevent us from recognizing that this phenomenon, so central to the racial problem, would not exist if there were jobs for all. This, of course, does not deny the need for anti-discrimination efforts; excessive unemployment is no excuse for discrimination in the imposition of the evil.

Structural approach to full employment

The structural approach to full employment, as usually defined, explains unemployment largely in terms of the "unfitness" of the unemployed, and urges the training and retraining programs which would enable them to fill job openings which (it is claimed) already exist, or which (it is claimed) would automatically result from better-prepared seekers for jobs. The inadequacies of this approach, if pushed too far, have just been set forth.

Yet the structural approach, within appropriate limitations, has value also. For the very meaning of the new technology and automation is that a dollar of additional spending for one purpose will not help the job situation as much as a dollar of spending for another purpose. There are some industries where the rate of output per man-hour will continue to rise faster than any likely increase in demand for the products of these industries, no matter how much money consumers have jingling in their pockets. For example, using an index of 100 to represent the ratio of employment to production in the base period 1947-1949, this ratio by 1964 had fallen to 44.5 in agriculture; 57.3 in all manufacturing; 65.9 in iron and steel; 59.0 in electrical machinery and equipment; 57.8 in motor vehicles and other transportation equipment; and 58.1 in railroads. And these trends, in the main, will persist.

We therefore need to redirect an increasing portion of total demand toward those goods and services where the increases in real national needs from year to year are so great that expansion of output to meet these needs in full will outrun the rate of advance in technology and productivity, and thus contribute millions of additional jobs. This will also provide a job-product-mix including a much higher proportion of semi-skilled and relatively unskilled jobs; this is what large portions of the unemployed need *at once*. It is futile to train people for job patterns of the past, which we could not repeat if we would, and should not repeat if we could.

For even apart from technological consideration, and although almost any kind of employment is better than unemployment, employment cannot be the sole criterion. We do not want leaf-raking nor pyramid-building. We cannot be satisfied with a million more jobs resulting from construction of luxurious hotels on the beaches and from production of superfluous gadgets by the hundreds of millions, if this *substitutes* for the additional jobs which would result from creation of effective demand and markets for the things we need most as a nation and a people. This consideration unites the goal of full employment with the goals for meeting the other priorities of our national needs, especially the abolition of poverty.

Preparing an effective full-employment program

As full employment depends upon a careful admixture of the aggregate and structural approaches, much of the recent debate as to which of the two should be emphasized has been academic and futile, and conducted at the expense of the unemployed. There were similar debates when we had 8 million unemployed just before World War II. But when the war came, we got down to business. We assumed that we could not afford any large wastage of manpower or other productive resources. We budgeted full employment and full production, and we also defined the priorities of our national needs and resolved to serve them. Guided by these quantitative goals, we were able to achieve a marriage of public and private policies and programs suited to the attainment of the goals. The results outdistanced expectation.

Granted that less stringent policies and programs are needed now, because we have more to work with and because we are not in a total war against external enemies, a similar method is embodied in the "Freedom Budget." But because the "Freedom Budget" is formulated without the vast resources available to the Government, and because the "Freedom Budget" has no powers except those of persuasion, the fulfillment of its

objectives requires that the Federal Government develop a more comprehensive and exact equivalent, whatever it might be called, and implement it with all the powers at its command.

This is no more than the explicit mandate of the Employment Act of 1946, which thus far has been seriously limited in its utilization. The Reports of the President and of the Council of Economic Advisers under the Employment Act should specify long-range goals, running five and perhaps ten years ahead, for sustained maximum employment, production, and purchasing power. These goals should be divided into components identifying what portions of our total output should serve the great priorities of our national needs. There should be specific goals for the total liquidation of U.S. poverty. There should be incorporated the concept of a specific adequate standard of living for all Americans, assured in the main by the commitment to sustained full employment, and supplemented by measures to guarantee this adequate standard of living to all those who cannot earn it through gainful employment.

Every economic policy and program conducted by the Federal Government, or involving Federal legislation, should be geared (1) to encourage others to go as far as they can toward attainment of all of the goals, and (2) to an unqualified commitment, by the Federal Government itself, to make up the difference between the full achievement of the goals and those portions of them which can elsewhere be achieved. The Federal Budget, national monetary policies, social security and housing and farm policies, and all other national policies and programs importantly affecting the development and utilization of our economic resources, including our human resources, should be included in the equivalent of a "Freedom Budget" in the Reports under the Employment Act. This should be done fully in January 1967, and preparation should commence now.

Every legitimate reliance should be placed upon the role of private enterprise, community action, grass-roots participation, and action by State and local governments. But the very nature of a *total* effort against unemployment and poverty and all their manifestations, and toward serving the other great priorities of our national needs, calls for greatly increased emphasis upon Federal action.

Here again there is a close analogy to the civil rights movement. This movement started at the grass roots, and involved action at every level. But it gained substantial ground only through leadership decisions made in a Federal courthouse in Washington, a Federal Congress in Washington, and the Executive Branch of the Federal Government. The need for

this is even more apparent on the economic and social front. Theoretically, the first objectives of the civil rights movement proper could be achieved without Federal action, if the hearts and minds of 200 million Americans were fully attuned to these objectives. But even if everyone wanted to get rid of unemployment and poverty — and practically everyone does — the specific actions toward these ends cannot be formulated, nor fully executed, by 200 million Americans in their separate and individual capacities. This is what our national union and our Federal Government are for, and we must act accordingly.

VII. Elimination of U.S. Poverty: The First "End" Priority In The "Freedom Budget"

In terms of "end" objectives, the elimination of poverty is the top priority in the "Freedom Budget." For the very word "poverty" brings together the whole cluster of our economic and social troubles: unemployment; substandard pay; bad housing; inadequate education and health care; malnutrition; deficient Social Security and welfare payments to those who cannot be gainfully employed; high concentration of crime, juvenile delinquency, and other social aberrations.

The amount of U.S. poverty, and goals for its reduction

In 1964, 9.1 million multiple-person families, embracing about 29 million people, lived in poverty. Adding 5.3 million unattached individuals, the total came to more than 34 million. The amount of income required to emerge from the poverty cellar depends upon the size of the consumer unit, the number of children in the unit and their age distribution, the geographic location which to a degree affects the cost of living, and some other factors. But as a fair working rule, a multiple-person family income of \$3,130, and an unattached individual income of \$1,540, is currently used by the Government and others as the poverty-income ceiling.*

Even these data fail to present the whole picture. In 1964, 4.5 million multiple-person families had incomes under \$2,000, and 3.1 million unattached individuals were below \$1,000.

As has been stated, the goals for the reduction of poverty embodied in the "Freedom Budget" involve a top priority. They recognize the necessity for policies and programs which are not satisfied with sustained full employment and full production alone, and which concentrate upon many specific measures to fight poverty. They involve substantial redistributive efforts. Nonetheless, these goals for the reduction of poverty are fitted into an internally consistent range of "Freedom Budget" goals which take account of all other basic economic requirements and national objectives, contemplate balanced economic development, are designed for optimum growth in our overall economic strength, and (as will be shown) envisage income progress at all levels of the income scale.

In this full perspective, the "Freedom Budget" contains estimates

* The money income concept is used throughout this discussion.



Photo—USDA

that the total number of American multiple-person families living in poverty can and therefore should be reduced to less than three quarters of a million by 1970, and to about half a million by 1975. The number of unattached individuals living in poverty can and therefore should be reduced to about less than one and a third million by 1970, and to less than three quarters of a million by 1975. This means that, within the decade ahead, we should reduce the total number of people living in poverty from more than 34 million in 1964 to about two and a quarter million in 1975.* The rest of the job should be done within a very few years thereafter.

The related problem of deprivation

Studies of the U.S. Department of Labor, brought up to date for changes in the cost of living, indicate that there is a very wide gap between the poverty-income ceiling and the income required for a "modest but adequate" budget. On the average, this budget might be set at about \$6,000 for a multiple-person family. It therefore appears conservative to say that families with incomes under \$5,000 (not \$6,000), but above the poverty-income ceiling of \$3,130, live in deprivation, though not in absolute poverty. Those living in deprivation in 1964 included about 7.5 million families, or about 26 million people.**

The "modest but adequate" budget for an unattached individual averages about \$3,000, and an individual with an income below \$2,500, but above the poverty-income ceiling of \$1,540, should be regarded as living in deprivation. These totaled 1.7 million in 1964. Adding these to the about 26 million deprived people in multiple-person families, the total came to almost 28 million people.***

In many ways, the lot of those living in deprivation is especially poignant; their bread-winners in most instances are fully employed, and they are usually regarded as "respectable" people without having the incomes needed to live respectably.

A full-scale attack upon poverty cannot neglect the problem of deprivation. The sustained full employment and full production required to liquidate poverty would be much more difficult to attain, if we did not

* See chart on page 77.

** The average size of families living in deprivation is higher than the average size of those living in poverty.

*** As earlier indicated, 47 million lived above poverty but below the "modest but adequate" budget.

also increase the incomes and purchasing power of those living in deprivation. The policies and programs most needed to increase the incomes of the poor are equally applicable to a majority of the deprived. And it would be neither psychologically nor politically feasible to obtain the public consents required for a full-scale war against poverty, if the deprived were left out.

The "Freedom Budget" indicates that the 7.5 million families living in deprivation in 1964 can and therefore should be reduced to about 3 million by 1975. It would seem that the number of unattached individuals living in deprivation might actually increase from 1.7 million to about 2.8 million, but this would reflect the fact that so many of them now living in poverty will have moved upward into the deprivation category. Grouping together the families and the unattached individuals, the number of people living in deprivation could and therefore should be reduced from almost 28 million in 1964 to about 13 million in 1975.

These goals for the liquidation of poverty and the reduction of deprivation are not incompatible with income progress all along the line. For example, in 1964 there were 21.8 million multiple-person families living in comfort or affluence with incomes of \$7,000 or over; the number could be lifted to about 42 million by 1975. Among unattached individuals, there were 2.4 million living in comfort or affluence with incomes of \$5,000 or over; these could be lifted to 3.4 million by 1975.*

Importance of improved income distribution

The rather widespread idea that, if our economy grows rapidly enough, poverty will be reduced at acceptable speed regardless of improved income distribution, is entirely erroneous.

To be sure, sustained economic growth lifts the incomes of almost all. But it does so far too slowly for the poor. And while poverty is in part an absolute concept, it is also in part a relative concept. Poverty in the U.S. today does not mean the same thing as 50 years ago, nor does it mean the same thing as poverty in Africa or Asia today. Poverty in the U.S. today is to *some* degree relative to what others in the U.S. now enjoy. This does not mean that, if at some time in the distant future the lowest income fifth had incomes averaging \$20,000 a year, they would still be regarded as living in poverty. But it does not mean that, regarding social justice, we cannot remain satisfied with current income distribution when the lowest fifth have incomes still so low in absolute terms.

* Again, see chart on page 77.

In 1964, the highest income fifth of all U.S. multiple-person families received 41 percent of total multiple-person family personal income, while the lowest income fifth received only 5 percent, and the lowest two-fifths only 17 percent. It is arguable whether this distribution would be acceptable in terms of the American ideal, even if the lowest income fifth had average incomes of \$20,000 a year. And it is certainly not acceptable, when more than the lowest income sixth of our entire population live in absolute poverty, and when almost all of the lowest third live in poverty or deprivation.

Even from the purely "economic" point of view, further improvements in income distribution are essential to the adequate progress and growth of the U.S. economy as a whole. From 1961 to 1965, total national production measured in uniform dollars grew 22.5 percent, and private consumer spending for ultimate products grew at about the same rate. Government outlays at all levels for goods and services grew only 12.2 percent, and these also constitute a type of consumption of ultimate products. Meanwhile, private investment in the plant and equipment which add to our production capabilities advanced 45 percent. Such uneven trends indicate the tendency of our power to produce to outrun ultimate consumption, which results in idle manpower and plant, and, if continued long enough, results in economic downturns.

These uneven trends in production capabilities and ultimate consumption stem from uneven trends in incomes. From 1961 to 1965, wages and salaries grew 21.8 percent, or at close to the same rate as total private consumer spending, and farm proprietors' net income grew only 4.5 percent, while corporate profits grew 39.4 percent, personal dividend income 33.6 percent, and personal interest income 42.2 percent.

Similar maladjustments between investment and consumption, profits and consumer incomes, have been apparent during the most recent year. A stable and growing economy remains in serious jeopardy until these maladjustments are greatly reduced through improved income distribution.

Main approaches to the reduction of poverty

The aspect of the current "war against poverty" which centers in the program of the Office of Economic Opportunity under the Economic Opportunity Act of 1964 is of tremendous significance. This program reflects the dedication of the President and the Congress to this war. It has brought the problem of poverty to the center of the national stage. It has enlisted the active cooperation of millions of men and women, in almost every county in the U.S. where poverty exists. It has already

helped to reveal the nature and scope of the poverty problem and in a short time made measureable gains against some aspects of this problem. The "Freedom Budget" projects very great enlargements in this program from year to year, supported by adequate funds. The program has already generated a wide variety of criticism, some constructive and some unworthy. What is said below is not intended to deal with these criticisms, nor to enlarge the burdens of the devoted people at all levels engaged in the Economic Opportunity program.

But what has been already stated throughout this discussion, and what will be said further below, make it clear that the major aspects of a full-scale war against poverty cannot be found within the confines of the Economic Opportunity Act. Nor are these aspects supported adequately by other national policies and programs.

This is because, to a very substantial degree, much of the current thinking about the "war against poverty" suffers from deficiencies quite similar to much of the current thinking about remedies for unemployment. There is a tendency to place *excessive* emphasis upon the personal characteristics of the poor as the explanation of the huge amount of poverty in an economy already as rich and productive as ours. There is correspondingly a tendency not to recognize how predominant a part of the treatment of the poverty problem depends upon full-employment policies, and income-assistance policies for those who cannot or should not be gainfully employed. Such policies are not generated by personal processing of the poor. Indeed, without prompt development and application of such policies, the "war against poverty" already threatens to generate resentment and reaction, by lifting expectancies much more rapidly than they are being fulfilled.

This point is so vital that it requires reinforcement by a detailed examination of the characteristics of the U.S. poor. In 1964, somewhat more than half of the poor were in consumer units whose heads had less than eight years of education. Improved educational opportunity is in itself a top national priority, and the "Freedom Budget" allows amply for this. But those who have less than eight years of education are scattered among many groups, including the aged, and in most instances improved education would not in itself help much to lift them out of poverty.

For example, as already indicated, considerably more than a quarter of the poor live in consumer units with heads aged 65 and over. If we are to deal realistically and promptly with this problem (instead of relying upon the distant hope that the grandchildren of today will not be poor when they are grandparents, if sufficiently educated), we must set about

promptly to enlarge the Social Security and welfare payments to our abysmally neglected senior citizens — who will increase by many millions within a few years.

More than one-eighth of all of the poor people in the U.S. live on farms. Their plight, and what to do about it, is highlighted in Chapter IX. Undoubtedly, farm people have had relatively less educational opportunity than others. But this is not the reason why about 43 percent of all farm families are poor, compared with only about 17 percent of all nonfarm families. The reason is that our national farm policies have not succeeded in directing to agriculture anything even approximating a fair share of national income, by compensating for the economic weakness of the farmer who sells his products in a "free" market (where prices fluctuate widely, responsible to the so-called law of supply and demand) and buys in an administered or controlled market. Coupled with this, too much of the Government aid has gone to farmers who have needed it least, and too little to those who have needed it most. Another reason is that we have not made full use of our farm productive powers to fight malnutrition among millions of American poor children in nonfarm areas and to fight starvation among hundreds of millions overseas. Still another reason is that, in rural areas relatively even more than in urban areas, the "public sector" is starved with respect to educational and health facilities and personnel; this calls for "equalization" policies on the part of the Federal Government. To wipe out farm poverty, the education most needed applies to the policy-maker rather than to the farmer.

About two-fifths of all of the U.S. poor live in the South. But this poverty cannot be attacked by pointing out that its victims have the personal characteristics of being Southerners, or by moving them to Harlem. They are poor because their incomes are too low, and the lines of attack are employment opportunity, decent wages, farm-income improvement, larger Social Security and welfare payments, and better educational and health services in the "public sector." These lines of attack are set forth in more detail in later chapters.

Almost one-third of the U.S. poor, as already stated, are in consumer units headed by women. Considerably more than half of these women hold or should hold jobs; they would be helped most by a full-employment environment, and by removal of discrimination with respect to hiring, pay, and advancement. Public financial support of an adequate volume of day-care services for children is essential, in order that more of these women may find it more feasible to take jobs and work steadily. But more than one-eighth of the U.S. poor are in consumer units

headed by women who cannot or should not work. These families, concentrated most heavily among Negroes, are singularly neglected in most of the current inadequate efforts to make war against poverty. They are subjected to many types of pauperization and degradation in the very process of extending to a small fraction of them the various types of welfare payments, and even where these are extended they are in most cases woefully inadequate. This glaring aspect of the poverty problem requires as one step a great enlargement of welfare payments in several categories, both as to scope and size, and also development as rapidly as feasible of a nationwide system of adequate family allowances. The quantitative needs with respect to these programs are set forth more fully in Chapter XI.

The point has already been developed that a full 40 percent of all of the poverty in the U.S. is due to inadequate employment opportunity; to remedy this, training and education are an auxiliary approach to a nationwide full-employment policy and program. And about 20 percent of all the U.S. poor, as already indicated, are poor because their breadwinners receive substandard wages when employed. This aspect of the problem requires more extended treatment, which will follow shortly.

There is, of course, an appealing note in the concentration of the Economic Opportunity program upon the young. Insofar as this approach is based upon recognition that millions of the young have become warped and twisted by the poverty environment in which they have lived, it deserves vigorous support. But insofar as this approach relates to improving their general education, it may be proper to ask whether we should not concentrate also upon improving our general educational systems, and changing the environment in which these young people live so that they will not drop out of school even if their classrooms are pleasant and their teachers good. Insofar as this approach is based upon the training of the young in a vocational sense, the earlier-stated proposition applies—that we need to know better what to train them for, and that in a full-employment environment most of them would be drawn into jobs and trained on the job.

And insofar as concentration upon the young carries any implication that it is too late to do much about their elders, this misinterprets the whole nature of the poverty problem. If we are addressing ourselves to the more than 16 million poor children in the U.S., rather than to the relatively few who may be involved for a short period of time in special youth programs, we should all ask these pertinent questions: Can we really rescue the young, without rescuing their parents? Can we really

rescue their parents, without profound alterations in the whole environment in which they live — especially the employment environment and the housing environment?

It is on the basis of these broad and balanced approaches that the "Freedom Budget" presents all of the essential ingredients in a full-scale war against poverty.

The problem of "the working poor": minimum wage legislation

We have noted that about one-fifth of all U.S. poverty is among those whose breadwinners receive substandard wages. Prior to the 1966 amendments to the Federal Fair Labor Standards Act, only about 63 percent of all nonsupervisory employees were covered by that Act and only about 10 percent by State laws affording far less protection. Almost 13 million nonsupervisory workers were not covered at all. The 1966 amendments increased coverage to about 80 percent of all nonsupervisory employees, or slightly more. This was a great gain, but it left about 10 percent, or more than 4.8 million nonsupervisory employees, not covered by either Federal or State legislation.

These 1966 amendments also lifted the basic minimum wage to \$1.40 as of February 1, 1967, and \$1.60 as of February 1, 1968. As the \$1.25 basic minimum wage took effect in late 1963, a lift to \$1.60 an hour in early 1968 would represent an average annual advance in real wages of only about 3.8 percent, allowing for actual and estimated increases in the cost of living. This is far too low a rate of advance for those at the bottom of the wage scale. If a breadwinner enjoys 50 weeks of work per year and 40 hours of work per week, \$1.60 an hour yields an annual income of \$3,200, which is only about 2.2 percent above the \$3,130 poverty-income ceiling for a family, and almost 47 percent below the \$6,000 "modest but adequate" budget. Assuming 7½ weeks of unemployment (to date a very modest assumption for those working at this income level), the annual income yield at \$1.60 an hour is about 13.1 percent below the poverty-income ceiling, and about 54.7 percent below the "modest but adequate" budget.

Even at \$2.00 an hour, the annual income yield is 33.3 percent below the "modest but adequate" budget assuming full employment throughout the year, and 43.3 percent below the "modest but adequate" budget assuming 7½ weeks of unemployment. The Federal minimum wage should be lifted by steps to \$2.00 an hour by 1968 or 1969, and its coverage extended to the constitutional limits of Federal jurisdiction.

The line of argument underlying objection to sufficient improvement in the Fair Labor Standards Act, on the ground that this would be "inflationary," will be discussed when we come to the subject of inflation and how to deal with it wisely and equitably.

The more generalized wage problem

The problem of inadequate wages is not limited to substandard wages. Wages in general are the dominant factor in consumer purchasing power, and the recurrent lag in consumer purchasing power behind the growth in our production capabilities is a major explanation of excess unemployment and inadequate economic growth. The dangerously uneven trends in various types of economic activity and incomes during the past four years and during the past year have already been depicted, and recently have been underscored by the Council of Economic Advisers.

One cause of these uneven trends is that the Federal Price-Wage Guideposts, while purporting to promote wage-rate gains in line with productivity gains, have not had this effect. During recent years, wage-rate gains have lagged very seriously behind productivity gains in the private economy as a whole, and even more so in the manufacturing sector where the hue and cry has been raised that excessive wage-rate increases have forced prices upward.

Further unionization would also help to correct the wage lag, and this would be assisted greatly by Federal legislation obliterating the so-called "right to work" laws in some States.

VIII. Replacing The Slum Ghettos: "End" And "Means" Priority In The "Freedom Budget"

The removal of the slum ghettos which now infect our cities, and of substandard housing in other areas as well, is the top specialized priority in the "Freedom Budget," as distinguished from the broader objectives of getting rid of excess unemployment and poverty. It is an "end" priority because slum-living is an ultimate evil in itself, both a cause and by-product of poverty, and perhaps the main factor in what has been called the "self-perpetuating" nature of poverty. And it is a "means" priority, because rapid expansion of home construction, with the other outlays which it would spark, can perhaps contribute about half of the 22-27 million new jobs we need by 1975.

How many are ill-housed, and why

Although there is no decisive single test of what constitutes unsatisfactory housing, the 1960 Census described as "seriously deficient" about 9.3 million housing units in the U.S., or about one-sixth of the total. Allowing for what appears to be some understatement, at least one-fifth of all our people were ill-housed when this Census was taken.

The bad housing is occupied predominantly by the poor. According to the Census, less than 21 percent of all renter-occupied housing and only about 7½ percent of all owner-occupied housing in metropolitan areas were unsound. But in the case of occupancy by families with incomes under \$3,000, about 60 percent of the former type of housing and about 34 percent of the latter type were unsound. And among consumer units with incomes under \$2,000, it appears that at least 4 out of 5 lived in unsound housing.

The poor in the main are not getting decent housing because it is not "profitable" to provide it for them. Even with the protection of Government insurance through the Federal Housing Administration, far less than one percent of the new single-family homes are purchased by those with incomes under \$4,000. The production of new rental housing for the poor on a "profitable" basis has been even more negligible. And the provision of new housing for the higher income groups does not enable decent housing to be "handed down" to the poor in any substantial volume. The proof positive of this is the amount of substandard housing still in use, and its highly unsatisfactory rate of reduction in recent years.



Photos—D.C. Redevelopment Land Agency

Housing goals through 1975

It is going around in circles to argue that the poor should not move into decent housing, except at the pace that they are able to pay for it on their own by moving out of poverty. For the slums themselves make the individual and the family less able to move forward on their own; and without a vast rehousing program throughout the decade ahead, there can hardly be the sustained full-employment environment which must underpin the whole war against poverty.

In 1965, there were about 1.5 million traditionally financed private nonfarm housing starts for middle-income and high-income families. There were only about 40 thousand starts for low-income families and for lower-middle income families combined. Measured against universally recognized need, this was a shocking misplacement of effort.

We should now determine to average annually during 1967-1975 about 2.2 million housing starts, as follows:

We should be starting annually about 1.3 million traditionally financed private nonfarm housing for middle-income and high-income families, compared with 1.5 million in 1965. More than this is neither desirable nor sustainable, because it recurrently saturates the market for this kind of housing (as is now the case), and explains the extreme instability of housing construction which has contributed mightily to general economic instability and high unemployment.

We should start moving upward *now* toward 400 thousand starts of lower-middle income housing in 1968, and about 500 thousand in 1970 and on through 1975, to help those in the "deprived" income category. This program requires an enterprising combination of private and public efforts. It calls for large increases in public outlays for aid to land acquisition and other aspects of urban renewal. There is imperative need for powerful use of the credit of the Federal Government, either through loans or guarantees, toward very much lower interest rates and much longer-term loans. The Government should be making credit available for this type of housing at an interest rate not higher than the average interest rate on all outstanding Federal obligations.

Even this will not be good enough, if the Government does not combat the trend toward rising interest rates of all types, instead of abetting this trend by lifting the interest rates on its own obligations. The strategic position of the Federal Government in the money markets, combined with more effective public control of the Federal Reserve System, should be

used to drive all interest rates sharply downward. Chapter XIII details why rising interest rates should not be used to fight inflation.

Nonfarm housing starts for low-income or poor families, with annual subsidies to make up the difference between the annual cost and what these families can afford to pay without excessive strains upon their total budgets, should be lifted year by year to at least 400 thousand in 1968, and 500 thousand in 1970-1975. Allowing for increased efforts by the States and localities, the main drive in this connection must come from translating the Federally-assisted effort from a shabby token program to meaningful proportions. The new "rent subsidy" program may well help to provide more and better housing for lower-middle income or "deprived" families; it can hardly touch the housing problem of the poor.

The farm population also suffers from extremely bad housing. Although this problem is most intimately connected with the general problem of the restoration of our rural people to their proper place in the economic structure (see Chapter IX), some note should be made of it at this point. The tragic condition of the housing supply for Negroes in farm areas had only one limited example in the Mississippi delegation which set up tent cities on Lafayette Square in Washington, D. C., to dramatize the housing needs of sharecroppers throughout the rural South.

Why is public housing called "unpopular"?

The alleged "unpopularity" of the publicly-assisted programs to rehouse slum dwellers arises not from the fact that these programs have gone too far, but rather from the fact that they have hardly made a dent. So long as this kind of housing continues to be built annually for less than one-tenth of those who need it, nine families are excluded for every one that is taken in, the rules of exclusion are harsh and arbitrary, those taken in are plagued with rules and regulations, and driven out again when their incomes rise enough to make them "deprived" instead of poor. This very process breeds resentment, turmoil, discrimination, and misunderstanding, and tends to replace the old slum ghettos with new ghettos — more livable, to be sure. But when this housing effort rises to the challenge which confronts it, it can become as successful and as "acceptable" as in some other countries which have done so much more on this front with much less resources to work with.

A sufficiently massive effort would substitute purpose for patchwork, permit more mixed-income occupancy, make living in a "project" akin to living in other satisfactory housing, and remove from the "projects" their cruel identification as homes for the poor.

Indeed, the different financial methods required to rehouse people at various income levels should increasingly be blended to provide projects in which various income groups live, rather than different projects for different income groups.

The housing program contained in the "Freedom Budget" would reduce seriously deficient housing from 9.3 million units in 1960 to 3.5 million by 1970, including the effects of the new construction programs and much more vigorous programs of rehabilitation. By 1975, practically all Americans should be decently housed.

Impact of improved housing upon urban renewal, economic growth, and employment

Although our urban renewal efforts have been grossly inadequate to date, they have run too far ahead of our efforts to replace the slum ghettos with decent housing. While the destruction of slums has been inadequate, the rehousing of slum dwellers has lagged even further. In consequence, many slum dwellers have been crowded into other slums, where they pay even higher rents because of the shortages thus created. In a more commendable effort, massive projects to rehouse the poor should be built *first*, and, after they move in, the slums they have left should be torn down. Parks and thoroughways and shiny new office buildings are all to be desired, but they do not get rid of the slums nor rescue those who live in them. They may even breed resentments by the contrasts they create. Flowers in the park do not remove the smell in the slums.

The replacement of the slum ghettos with new housing for their occupants at an adequate pace would not only make other aspects of urban renewal more acceptable, but also augment them greatly. Development of community facilities and public improvements of all types would follow in the wake of the needed housing effort. More would be spent for every commodity which enters into housing and other urban construction, and for furnishings and equipment within the structures.

An annual average of almost 700 thousand *more* housing starts during 1966-1975 than in 1965, or 7 million more for the decade, coupled with extensive rehabilitation and related community improvements, would entail for the decade as a whole about 230 billion dollars more of direct investment than would result from maintenance of the 1965 level of housing and related activity. Considering the multiplier effects, *the increased spending due to this program over the decade might aggregate 450-560 billion dollars and create 45-65 million man-years of employment, or 4½-6½ million on an average annual basis.*



Photo—D.C. Redevelopment Land Agency

This is a type of employment which would offer a product-mix of jobs at various levels of skills — and this product-mix would offer far more genuine hope, to those among whom unemployment remains most concentrated, than training programs directed toward types of jobs which cannot open up in nearly sufficient volume.

Accompanying social benefits

The social benefits would be equally significant, though less subject to quantification. The crime, juvenile delinquency, and disease which concentrate in the slums would be reduced. Making our cities decent places in which to live would reduce the outflow of the affluent to the suburbs. It would at least slow down the process whereby we are now rapidly becoming two Americas — with the poor forming increasing proportions of those living in the cities, while others move out. And with the affluent and influential forming a reasonable proportion of the total city population, the cities would have both the means and the will to finance adequately the popular services which are now being starved — with this starvation aggravating the very poverty which it reflects.

IX. Agriculture, Natural Resources, And Regional Development

The "farm problem"

Our farm people and the farms on which they work are among our most important resources. But these resources have been sorely neglected. Millions of acres have been retired from production, despite widespread malnutrition among the poor at home, and starvation among hundreds of millions overseas. Millions of farmers have been forced off the land, to find for the most part unemployment and poverty elsewhere. Even now, on a family or *per capita* basis, the concentration of poverty is about 2½ times as high in agriculture as in nonfarm areas. Despite improvement in farm income during 1965, *per capita* farm income from all sources in 1965 was only \$1,610, and *per capita* income from farm sources only \$1,060, compared with *per capita* nonfarm income of \$2,800.

A long-range full employment, production, and purchasing power budget for agriculture is an essential part of the "Freedom Budget." The main features are: (1) Goals to assure adequate, balanced, and pleasant diets for the U.S. poor, without waiting until they are no longer poor, through expanded food stamp and other distributional programs; to meet the growing food and fiber needs of our growing population in an economy and industrial system expanding at optimum rates; and to enlarge vastly our exports of foods and fibers to the half of the world where most of the people go hungry. (2) Goals to maintain our farm population and farmland at levels which will assure the needed volume of output. Even allowing for the uniquely rapid advance of technology and productivity in agriculture, this will require a virtual stabilization of our farm population during the next decade, plus large increases in acreage and livestock breeding units. It will require that submarginal farmers receive the credit, incomes, tools, and skills to become self-sufficient, family-type farmers. (3) Goals to eradicate farm poverty, and to bring farm families very close to parity of incomes with others by 1975. This will require a gradual shift from price supports to income supports, and determined efforts to channel the help to those who need it most instead of to those who need it least. (4) Goals for improved public services in rural areas, where they are even more deficient than elsewhere, with respect to education, health, subsidized housing for those who need it, and Social Security and welfare payments. This will require the reconstruction of all of these programs as



Photo—USDA

dealt with elsewhere in the discussion, and ever-increasing recognition that the Federal Government must use its powers of spending and taxation as an "equalizing" force. It is noteworthy that some of the States which are spending least on a *per capita* basis for these public purposes are spending most relative to their wealth and resources.

These goals for agriculture depend upon a complete reversal of recent and current attitudes toward farm outlays in the Federal Budget. These outlays have been pounded for many years, even from sources which should know better, on the ground that they are "wasteful." Certainly the farm program, like most other programs, could be more efficiently conducted. But most of the money expended under the farm program has not consumed our economic resources; it has merely redistributed them so that the farm population has received a larger share than it otherwise would, even though a totally inadequate share. This has not only achieved a portion of justice for the farm population, but it has also been immensely beneficial to all the rest of us. It has protected the whole economy from the catastrophic declines in farm incomes and prices which used to spark general economic downturns of severe size with considerable regularity throughout our history before World War II.

The help extended to the farm population by the nation at large under national farm programs, constantly subjected to hue and cry on the ground that it is "excessive," should be measured against the real benefits conferred by the farm population upon others. Despite the talk about rising food prices (for which the farm program is only in part responsible because much of the rise at the consumer level is due to other factors), the American people today are fed more bountifully than ever before, and their food costs have come to occupy a constantly declining portion of their total budgets. The farm population, which is providing this service to the whole American public, for an income return coming to little better than half of income parity with others, is really subsidizing others, instead of others subsidizing it.

Conservation and replenishment of natural resources

Resource development in the United States has far from kept up with the requirements of a rapidly-growing population, immense population shifts, and industrial development. Critical shortages of water and power persist in many highly populated areas. Air and waters remain polluted. Recreation facilities are unavailable for those who need them most.

These quantitative and qualitative shortages are closely connected with the whole problem of poverty and unemployment. Shortages of any

kind hurt the poor more than others. Recreational facilities will always remain adequate for those who have the means to get there, and to pay for what it costs to stay there. But recreational facilities accessible to all remain seriously inadequate. The needed programs of resource conservation and replenishment would provide millions of jobs, and, as in the case of housing and urban renewal, would have the additional merit of a high product mix of relatively less-skilled jobs. And this is what is most needed without delay for the majority of those among whom unemployment is most heavily concentrated.

Our resource development programs should also intensify the industrial development of atomic energy, with sufficient public controls to make this energy the servant of the people, instead of a source of excessive private gains.

The "Freedom Budget" includes a long-range budget on this front.

Regional development and the distressed areas

There are wide variations in the amount of poverty and unemployment from region to region. The most drastic and tragic aspects are to be found in the so-called "distressed areas." Thus far, the programs in Appalachia and elsewhere are merely nibbling at the fringes of these problems. Attempts to "solve" these problems by moving people from the distressed areas to other areas, or by attracting industry and employment from other areas to these distressed areas, will merely shift the location of the trouble until we have a sustained full-employment environment.

More important still, the specialized treatment of the "distressed areas" must be massive and comprehensive enough to embrace full-scale programs for economic development. It has been a generation since we developed one TVA. With appropriate modifications, we need many of them.

Above all, the plans for relief of the "distressed areas" and for regional development must be fused with a "Freedom Budget" of nationwide scope and purpose. Without this, the public outlays essential in the stricken areas will not receive the support of the American people as a whole.

X. Direct Investment In Human Resources: Education, Training, And Health

Nothing said earlier in this discussion should be construed as playing down the role of personal improvement as a factor in economic and social progress. The intent has been merely to appraise more carefully the extent to which these specialized efforts bear upon problems of unemployment and poverty. Moreover, valuing the individual above all else, we should honor better education and training and health because they enlarge the individual in all respects, rather than merely as aids to job opportunity and more income. We would need more and more of these programs, even if everyone were employed and affluent.

Education

For more than twenty years, the quantitative and qualitative shortages of classrooms in our public schools have been accumulating. Instead of remedying these adequately, we have tended to reduce the estimates of shortages. We need, for at least six years ahead, and very conservatively stated, a construction program of more than a hundred thousand public classrooms a year. This would require outlays of about 27 billion dollars. Allied with this, we need during the next six years about a hundred thousand new teachers per year in the public schools, allowing for retirements and other withdrawals, the current shortages, and population growth. It is estimated that not more than two-thirds of this need will be filled, without improved teacher-preparation programs and much higher pay.

With respect to higher levels of education, it has been estimated that there are now at least 200,000 young people who are ready for college but lack the means; the figure is probably much higher, and this problem is acute among young Negroes. The number will increase, in consequence of the very high birth rates during the early postwar years, and further improvement in secondary education. Comparing 1975 with 1963, the number of students who should be enrolled in schools of higher learning should approximately double. Under existing programs, neither the facilities nor the personnel will be available to meet these needs.

With the States and localities straining their budgets, borrowing capacities, and available sources of revenues, a very large share of these needs must be met by the Federal Government, if they are to be met

at all. This has long been recognized by all in every way — except in programs. Chapter XII is much more specific on this point.

Training and retraining

The very commendable training and retraining programs for the poor and deprived, and mostly the young, under the Economic Opportunity Act are essential and should be greatly increased. This is also true of general manpower efforts. But even when increased, they alone are not enough. Handicapped workers need more attention. Vocational training needs to be greatly expanded. Federal aid in the form of relocation allowances should be instituted.

We need to draw a sharper distinction between education and training for preparation to enter the labor force, and education and training to upgrade the existing labor force — and do much more in both categories.

The main advances in all of these areas must come, if they are to come at all, through very great enlargement of public outlays in the category of labor, manpower, and other welfare services. But as urged throughout, these can be brought into clear focus only if used as auxiliaries to *programs which create jobs*.

Health services and research

The recent enactment of Medicare, after years of struggle, evidences recognition by the American people and their elected representatives that medical care should be brought into line with the advance of medical science, at costs which the recipients can afford to pay. But Medicare touches only a small fraction of those within our population who cannot obtain adequate medical care at costs within their means. Only one-third of all families with incomes under \$2,000 a year have had health insurance, compared with three-fourths of all American families. About 60 percent of the hospital patients in the lowest income groups have had none of their bills paid by insurance, and this has run up to 72 percent in the case of surgical patients. Although there is a direct correlation between low incomes and practically all types of disease and mortality, the hospitalization rates for nonwhites, where poverty is so highly concentrated, is 20 percent lower than for the population as a whole.

We should approximately double within the next ten years the annual rate of outlays for hospital construction, merely to keep pace with population increases, to serve even the most essential requirements for



Photo—Gertrude Samuels, *The New York Times*

replacement and modernization, and to provide indispensable facilities for out-patient care. Even such efforts would do no better than cut in half the severe current shortages by ten years from now. In addition to hospital construction, there is need for expanding rehabilitation and out-patient facilities. This should include diagnostic and treatment clinics; facilities for long-term care; nursing homes, especially for the elderly; and public health and mental health clinics.

The shortage of health personnel has by now become alarming. It is estimated that, even to maintain the present very deficient ratios of health personnel to population, the number of physician graduates must be increased by 50 percent by 1975, and the number of dentist graduates doubled. Programs now in evolution will not meet this need.

In the field of medical research, the pending programs of the National Institute of Health and other agencies, both public and private, give promise of significant breakthroughs in scientific fields. But great gaps still remain. The dollar-and-cents cost of those disabilities which medical knowledge has not yet been able to prevent or reduce significantly are staggering. Cancer disabilities alone cost nearly one-half billion dollars per year in lost earnings, aside from the cost in lost production. The human cost cannot be calculated.

All in all, seriously inadequate medical care now handicaps about 40 percent of our population—or far more than the numbers who live in poverty or deprivation. The genuine answer is a nationwide, universal system of health insurance. Experience with Medicare, and enlarged medical facilities and personnel, would establish a stronger base for this program. The battle for its enactment, abandoned many years ago, should now be resumed.

XI. Social Insurance, Welfare, And Guaranteed Incomes

Even in a full-employment environment, and with adequate pay for those employed, there will be those who cannot or should not work. Within this category, as already noted, we find those who, with their dependents, come to about two-fifths of all the U.S. poor. Our economic strength and our social conscience both dictate that we should allot to these people a fair and decent share of our total national product and income. And increasingly, we should put these payments to those outside the functioning economic system on a basis which moves toward the guaranteed income concept as a matter of right. A steady and growing flow of income to these people, rationally determined within the perspective of the "Freedom Budget," will also help to maintain economic growth and a full-employment environment for others.

OASDHI and public assistance for the elderly

The original intent of the nationwide old-age insurance system, established in 1935, was that within a generation or so our senior citizens would receive, as a matter of right, payments adequate to maintain an American standard of living. But the improvements in this system from time to time have not been fully responsive to our nationwide gains in *per capita* income and wealth.

President Johnson has initiated substantial progress along this line. The 1965 amendments to the Social Security Act extended benefit rights to additional groups of people, and eased the requirements for entitlement. The first impact of these changes was felt in September 1965, when both the number of beneficiaries and the amount of benefits increased. The title of the program was changed from OASDI to OASDHI, reflecting the inclusion of contributions for health insurance for the aged, although beneficiaries did not actually receive such benefits until July 1966.

As of late 1966, it has been estimated that, among those aged 65 and over receiving OASDHI benefits, between two-fifths and three-fifths live in poverty, taking into account their incomes from all sources. And millions of them are not pressing against the poverty-income ceiling, but are from 25 to 50 percent below it. Even in March 1966, the average OASDHI benefit to retired workers was only \$84.14 a month, or at an annual rate

of only \$1009.68. The annual rate of payment was less than \$1,550 for a retired couple, and slightly above \$2991 for a four-person family with a widow and three children.

In mid-1966, more than 20 million people received OASDHI benefits, and there will be 10 million more within a few years. The average size of these benefits should be at least doubled within five years. The complete reliance of this system upon payroll taxes is highly regressive, and the building of "reserves" analogous to those in a private system has no real merit in a public program. While it is too late to start afresh, a larger portion of the sums required to lift the benefits under OASDHI should be contributed by the Federal Government, and financed on an annual basis through the progressive income tax.

While it was the original intent of the OASDHI system that the Public Old-Age Assistance Program would gradually disappear, there remained in March 1966 more than two million recipients of this assistance. Among those aged 65 and over receiving Old-Age Assistance but not receiving OASDHI benefits, about nine out of ten live in poverty. In March 1966, the average old-age assistance monetary benefit was only \$62.72 a month, or \$752.64 a year (\$77.55 a month, including non-monetary medical vendor payments). Average benefits varied enormously by State, ranging from more than \$95.36 a month in California to \$38.79 in Mississippi. Adding insult to injury, many of these old people are forced to take the humiliating equivalent of a pauper's oath before they qualify for assistance.

With greatly increased Federal aid, the same retirement and income goals should be sought for our senior citizens helped by pensions as for those helped by insurance, and for those who, for one reason or another, receive neither. There is also room for very substantial improvement in those aspects of aid to the elderly which deal not with old-age assistance proper, but with other types of assistance including medical help.

Other deficiencies in welfare programs

The average size of public payments to the aged for medical assistance varies tremendously from State to State. While the nationwide monthly average in March 1966 was about \$189, the average was only \$38.22 in Kentucky, \$26.45 in Nevada, and \$20.05 in West Virginia.

In March 1966, the average monthly aid in the form of payments to the blind averaged \$90.91, including nonmonetary payments. Meanwhile, State public assistance payments to the permanently disabled and



Photo—Bill Bridges

Used by special permission of *The Saturday Evening Post*.
© 1963 by The Curtis Publishing Company.

totally disabled averaged only \$66.62 monthly in monetary terms, and only \$83.70 including nonmonetary vendor payments. Under OASDHI, the average monthly payments to disabled workers, converted into their yearly equivalent, would provide less than \$1,644 for a family consisting of a disabled worker and his wife, and less than \$2,459 a year if there are also two children. In many of the State laws, regulations and restrictions, relating to the required degree and proof of disability, work seriously against effective help.

None of these data reflects the immensity of the neglect, because the number of recipients represents only a small fraction of the total need. Under State programs, all types of aid to families with dependent children reach only about one million families.

In a broad sense, the concept of the general welfare extends to practically all of the types of specialized public payments which have thus far been depicted. In addition, help is extended to others, such as needy families with dependent children. But in March 1966, this assistance averaged only \$35.45 monthly per recipient, which on an annual basis would come to less than \$1,276 for a family of three. And about 86 percent of the families receiving this type of aid receive no other type.

The States have developed a special category of payments in the form of general assistance. The average monthly payments per case in the general assistance categories was only \$31.48 in March 1966. The most glaring example of neglect in the whole field of welfare action has been the enduring failure of the Federal Government to make any contributions to State programs of general assistance.

Legislation to provide cash maternity benefits is virtually nonexistent in this country. Yet there are at least 15 million children, of whom 4 million are under 6 years of age, and 5 million between 6 and 11 years of age, who have mothers working outside the home. There are about half a million fatherless families, with children under 6 years of age, whose mothers are in the labor force.

Unemployment insurance and workmen's compensation

Many of the State unemployment insurance systems are miserably inadequate, as to duration of benefits, size of benefits, and sufficiency of available funds. With improved Federal standards and large Federal contributions, we should move immediately toward making unemployment insurance payments the right of all those unemployed through no fault of their own, for as long as they are unemployed, and with an average

benefit payment at least half the average full-time working wage (or more than this, if that be required to square with the goal of a guaranteed income at decency levels).

With increased Federal aid, disability coverage under public assistance and OASDHI should be as broad as the broadened coverage under unemployment insurance, and disability payments should be lifted to adequate standards as to amount and duration.

All of the States and the District of Columbia have workmen's compensation laws, but these are still very weak. In only about half the States is the compensation compulsory; benefits in general are very low; death benefits and duration of payments to widows are seriously limited; payments for medical care and rehabilitation are very inadequate; and operations in general are seriously impaired by a variety of undesirable restrictions bearing upon eligibility. The time has come to utilize Federal standards toward the needed improvements in workmen's compensation, which should be guided by the same considerations as those set forth in connection with unemployment insurance.

In sober truth, the levels of our social welfare outlays in the aggregate cannot stand up under any reasonable test. Expressed in uniform dollars on a *per capita* basis, nationwide publicly financed social outlays have advanced very slowly during the past fifteen years. Measured in ratio to total national production, they have been virtually stationary since 1961. The 1964 ratio of 7.7 percent (excluding outlays for education) was appallingly low, in terms of our real priority needs.

Toward a unified nationwide system of guaranteed incomes

The guaranteed annual income is a highly desirable goal, designed to assure a nationwide and universally guaranteed decency standard of income for all those who legitimately cannot obtain it through their own efforts. It is based on the inescapable fact that an economy as rich and powerful as ours cannot countenance widespread deprivation, much less widespread poverty. One immediate need in this direction is greatly increased Federal assistance in all of the welfare categories; another is Federal entry into the field of general public assistance. Beyond this, and even more important, there is need for gradual elimination of the whole patchwork of *ad hoc* public assistance programs, which are highly inefficient and costly relative to their results and which tend toward pauperization of recipients, and development of a guaranteed income on a nationwide basis.

But this proposal for a guaranteed annual income becomes excessive and unattainable when not founded upon recognition that it should be *supplementary to rather than in place of* a nationwide full-employment policy which embraces both adequate earnings when employed and adequate social insurance payments during such temporary periods of unemployment as may occur. Indeed, it is even more important that the Federal Government guarantee sustained full-employment than that it guarantee incomes for all. To put this in a preferable way, a Federally guaranteed full-employment policy should be at the very heart of a guaranteed-income policy. This Federal full-employment policy should undertake forthrightly and immediately to provide jobs at adequate wages (accompanied by adequate social insurance coverage) for all those who should be participating in gainful employment, but who cannot be or are not gainfully employed at other levels of private and public responsibility. Practically any type of employment is better than unemployment on all grounds. And our unmet national needs in the public sector, which require massive Federal action if they are to be serviced, mean that this type of employment would be of no less value in terms of goods and services created than other types of employment, and of far more value than a substantial part of current and prospective employment directed toward the production of relatively less desirable goods and services.

XII. Economic Feasibility Of The "Freedom Budget": The Role Of The Federal Budget

Just as our Federal Government is the leadership agency for implementing the "Freedom Budget," so the Federal Budget is the main instrument of national economic policy. It identifies our national priority needs, whether adequately or inadequately, and through expenditure and tax programs directs resources in accord with this identification.

In recent years, the Federal Budget, has not responded adequately to these great priorities of our national needs. Measured in ratio to total national production, conventional Budget outlays were 17.7 percent in fiscal 1947, the first full year in an economic sense after World War II. By 1961, they had declined to 16.08 percent, and for fiscal 1967 are estimated at 15.05 percent.

The fact that the total Budget was too low to perform its function in helping to maintain full employment and production means that domestic outlays in the Federal Budget were too low if one assumes that outlays for national defense were about right. Domestic outlays were certainly too low, in terms of the great priorities of our domestic needs. In ratio to total national production, Federal outlays for all domestic programs declined from 8.17 percent in fiscal 1947 to an estimated 5.71 percent for fiscal 1967. Measured against a growing population, outlays for all domestic programs in the Federal Budget on a *per capita* basis declined from \$230.91 in fiscal 1947 to an estimated \$198.04 for fiscal 1967.

Proposed priority programs in the Federal Budget

To help implement the great priorities of our national needs, described above in some detail, and with full allowance for private and State and local action, a Federal Budget is incorporated in the "Freedom Budget."

This Federal Budget is reconciled with all major goals for employment, production, and incomes in the "Freedom Budget." *

The "Freedom Budget" makes no attempt at independent judgment as to our national requirements in the category of national defense, space technology, and all international. But in order to make clear how much room there is for fulfillment of the great priorities of our domestic needs,

* See chart on page 78.

it adopts in this category what might be called the composite judgment of informed experts. In 1964 dollars, total Federal Budget outlays in this category would rise from 64.560 billion dollars in fiscal 1967 to 87.500 billion in calendar 1975, but would decline from 9.34 percent to 7.81-8.06 percent of total national production (GNP) in a properly expanding U.S. economy. If these estimates should turn out to be too high, there would be just that much more room for domestic programs.*

For all domestic programs, starting with the actual for fiscal 1967 and projecting goals for calendar 1970 and 1975, Federal Budget outlays should rise from 39.485 billion dollars to 57.500 billion and then to 67.500 billion; on a *per capita* basis, they should rise from \$198.04 to \$275.12 and then to \$298.67; as a percentage of GNP, they should rise from 5.71 to 6.55-6.61, and then decline to 6.03-6.22.

For the Economic Opportunity program, progress on other fronts in the years ahead would perhaps reduce the need for this program to less than it would otherwise be. Nonetheless, total Federal Budget outlays for this program should rise from 1.474 billion dollars in 1967 to 3.000 billion in 1970 and then to 4.000 billion in 1975; on a *per capita* basis, from \$7.39 to \$14.36 and then to \$17.70; and as a percentage of GNP from 0.21 to 0.34 and then to 0.36-0.38.

For housing and community development, total Federal Budget outlays should rise from 0.114 to 3.350 and then to 3.800 billion; on a *per capita* basis, from \$0.57 to \$16.03 and then to \$16.81; and as a percentage of GNP from 0.02 to 0.38, and then decline to 0.34-0.35.

For agriculture and natural resources combined, total Federal Budget outlays should rise from 5.932 to 10.500 and then to 12.000 billion; on a *per capita* basis, from \$29.75 to \$50.24 and then to \$53.10; and as a percentage of GNP from 0.86 to 1.20-1.21, and then decline to 1.07-1.11.

For education, total Federal Budget outlays should rise from 2.612 to 7.000 and then to 9.500 billion; on a *per capita* basis from \$13.10 to \$33.49 and then to \$42.04; and as a percentage of GNP from 0.38 to 0.80 and then to 0.85-0.88.

For health services and research, total Federal Budget outlays should rise from 3.338 to 4.800 and then to 7.000 billion; on a *per capita* basis,

* All Budget portrayals are in 1964 dollars for consistency throughout. All Budget goals would need to be lifted about 6.6 percent to adjust them to the 1966 price level, and lifted further if prices rise 1966-1975. The ranges for 1970 and 1975 are based on the higher and lower projections for GNP.

from \$16.74 to \$22.97 and then to \$30.97; and as a percentage of GNP from 0.48 to 0.55 and then to 0.62-0.65.

For public assistance, and labor, manpower, and other welfare services, total Federal Budget outlays should rise from 4,371 to 6,600 and then to 7,500 billion; on a *per capita* basis from \$21.92 to \$31.58 and then to \$33.18; and as a percentage of GNP from 0.63 to 0.76, and then decline to 0.67-0.69.

In order to help provide needed expansion of benefits to the aged under the OASDHI program, without excessive reliance upon regressive payroll taxes, Federal Budget contributions to this program (financed by progressive taxation) should be promptly instituted. These contributions should be at least one billion dollars by 1970, and at least two billion by 1975.*

Reasonableness of the Federal Budget projections

There are various ways of measuring the reasonableness of these Federal Budget projections, and indicating that they would neither distort the traditional balance between Federal actions and other public and private actions at all levels, nor impose an excessive strain upon the economy or the Federal Budget.

First, the Federal Budget in calendar 1970 would be only 15.38-15.51 percent of projected total national production, and in calendar 1975 only 13.84-14.29 percent. This contrasts with an average of 16.16 percent for the fiscal years 1954-1967 (1967 estimated).

Second, looking at the economy as a whole, including non-Federal public outlays, projected public outlays for goods and services at all levels would be 20.4-20.6 percent of GNP in 1970 and 19.6-20.3 percent in 1975, compared with 19.8 percent in 1965. Private consumer outlays would be 63.2-63.3 percent of GNP in 1970 and 63.3-63.5 percent in 1975, compared with 63.7 percent in 1965. And gross private domestic investment would be 16.2-16.3 percent of GNP in 1970 and 16.4-16.9 percent in 1975, compared with 16.5 percent in 1965. These portrayals are for calendar years.**

Third, the total Federal Budget, which stood at 104 billion dollars in fiscal 1967 (all measurements in 1964 dollars), would rise to 135 billion in calendar 1970, and 155 billion in calendar 1975. Thus, the Federal

* See chart on page 80.

** See chart on page 81.

Budget in 1975 would be about 56 billion dollars higher than in calendar 1965. For the decade as a whole, Federal outlays would aggregate about 355 billion dollars more than if the Federal Budget remained stationary at the 1965 level. This appears to be a quite moderate allocation to all programs served by the Federal Budget, as it would be only about *one seventh* (and the increases in domestic programs as urged in the "Freedom Budget" would be only about *one-thirteenth*) of the 2,315-2,442 billion dollars by which our total national production in 1966-1975 should be in excess of projection ahead at the 1965 level (this excess being the "economic growth dividend").

Fourth, total Government purchases of goods and services at all levels would rise from 131 billion dollars in 1965 to 220 billion in 1975, or about 90 billion. For the decade as a whole, these outlays would aggregate about 506 billion dollars more than if they remained at the 1965 level. This also seems moderate, coming to not much more than one-fifth of the "economic growth dividend."

Fifth, these projections strike a fair balance between Federal and State and local responsibilities. While total Federal purchases of goods and services would rise from 64.6 billion dollars in 1965 to 85 billion in 1970 and 100 billion in 1975, State and local would rise from 66.4 billion to 94.0 billion and then to 120.0 billion.

Sixth, from 1962 through 1965, Federal tax reductions and concessions had an annual value in the aggregate of close to 20 billion dollars when fully effective. In the decade ahead, this surrender of Federal revenues would aggregate about 200 billion dollars, without allowing for the fact that a growing economy increases the annual value of given rate reductions in taxes. This allowance might well increase the aggregate cost of these already-enacted tax cuts to 300 billion in the decade ahead. Having committed the Federal Budget to this amount of tax reduction, we can certainly afford to increase Budget outlays by somewhat more than this — about 355 billion dollars — in the aggregate in the decade ahead. For every dollar of such increased outlays, unlike a dollar of tax reduction, can be pointed directly toward what the nation and the people need most.

Tax implications of the proposed Federal Budget

It is reliably estimated that the increased tax revenues accruing each year to the Federal Government from economic growth at existing tax rates may lift Federal tax collections (Conventional Budget concept) by about 8-10 billion dollars a year on the average during the next ten years. For the decade as a whole, about 400-550 billion dollars more would be

**"It Sure Seems To Be Coming, But I Don't Think
It's Going To Help Us"**



Herblock in *The Washington Post*

collected in Federal taxes than if tax collections remained stationary at the 1965 level — i.e., if the U.S. economy did not grow. This 400-550 billion dollars in increased tax collections would be tremendously in excess of the estimated 355 billion dollars representing aggregate increased Federal outlays over the decade. This huge difference could be devoted in part to properly-placed tax reductions, or to help States and localities which are much harder pressed in financial terms than the Federal Government.

Allowance for excessive optimism in the estimates

It may be argued that the projections for U.S. economic growth are too high, and that therefore there would be less room than has been estimated for utilizing the Federal Budget along the lines indicated above. The first answer to this argument is contained in the demonstration just above, showing the vast margin between estimated increased Federal outlays and estimated increased Federal tax collections at existing tax rates. The second and far more important argument is that the very meaning of *priorities* is that they should receive first call upon our resources; and there is plenty of room in the national economy — if necessary — to use some properly devised tax increases to cut back on what we need least in order to take care of what we need most. This point is elaborated further in the following discussion of the inflationary problem.

XIII. The Moral Aspects Of The Problem Of Inflation

The nature of the resistance in some quarters to the "Freedom Budget" is not unpredictable. Its goals will be accepted as worthy, but will be held undesirable in part on the ground that they would be "inflationary." It is none too early to provide objective answers to any such doubts about the "Freedom Budget."

A balanced view of the inflationary danger

The desirable purpose of avoiding price increases, and especially those affecting the cost of living, has undoubtedly led to gross exaggeration of inflationary dangers in the U.S. economy. From 1929 through 1965, the average annual increase in consumer prices was about 1.8 percent, in wholesale prices about 2.2 percent, and in industrial prices about 2.1 percent. This has not been a high rate of price advance, when compared either with earlier periods in American history or with experience overseas.

Moreover, the bulk of these price increases occurred during the World War II and reconversion eras, and during 1950-1951 within the Korean war era when the Chinese intervention led to very drastic and sudden changes in expectancies and to a good deal of scare-buying. These two inflationary movements could have been checked much more effectively by higher taxes during World War II and less precipitate abandonment of controls immediately thereafter, and by more prompt imposition of controls during the Korean war. Be that as it may, nobody said in those times that the need to curb inflation should cause us to cut back on what we needed most. Instead, we accelerated what we needed most, and cut back on what we needed least.

Aside from these two wartime eras, which were economically dissimilar to anything now confronting us, the period from 1929 through 1965 netted virtual stability of consumer, wholesale, and industrial prices.

In addition, experience during the past decade has tended to discredit the classical dogma that there is a necessary and unavoidable direct correlation between the rate of economic growth and how close we are to full employment on the one hand, and price inflation on the other hand. Price inflation was severe on the average during the period 1955-1958, within which we experienced a substantial economic recession, netted prac-

tically no economic growth, and witnessed very large increases in unemployment. In contrast, the years 1960-1965, when we accelerated greatly the rate of economic growth, and reduced substantially the amount of unemployment, registered an average annual increase of only 1.3 percent in consumer prices, 0.3 percent in wholesale prices, and 0.2 percent in industrial prices.

It is true that price increases were considerably larger than this during 1965-1966. But these did not justify reversion to the classical dogma that periods of stagnation and unemployment in the long-run net less price inflation than periods of optimum economic growth and full employment (short of the extraordinary pressures of a full-scale war, or very drastic changes in expectancies, such as during 1950-1951).

Nor have those economists and others who repeat again and again that a moderate amount of price inflation is inequitable, and hurts those most who need help most, attempted any convincing documentation of their thesis. A moderate long-range upward movement of prices is not in itself beneficial. But it may well be argued from U.S. experience that the economic conditions and public programs during such periods have yielded more equity and more improvements in income distribution than those periods where stable prices have been accompanied by neglect of the needs of the nation and the people. Aside from falling farm prices, the period 1922-1929 was characterized by a remarkably stable price level. But sins of commission and omission on public and private fronts steadily worsened income distribution, hurt those who needed help most, and ultimately brought on the Great Depression. The stock market crash was only the spark.

However, it is not the purpose here to get involved in debate as to the relative merits of a stable and moderately rising price level. The "Freedom Budget" is willing to assume that a virtually stable price level may be desirable, and that "inflation," even in small doses, is undesirable. The real economic problem is *how* we combat inflation or the threat of inflation, and this is at bottom a moral or social question.

The moral or social question

Insofar as inflationary pressures result from attempting to do more than our resources will permit at their current state of development, we must obviously cut back on some things. But *what* should we cut back on?

If the increased expenditures for the Vietnam war in themselves were to place excessive pressure upon our productive resources (which

seems unlikely, in that these increases amount to much less than the current economic slack), it would not be the national policy to avoid these increased defense outlays. Instead, through higher taxes, we would cut back on something else. This would amount to saying that the increased defense outlays were a top national priority.

But for reasons stated at the very outset, this is not our *only* high national priority, and we would come a cropper if we acted as if it were. The other great national priorities set forth in the "Freedom Budget" are also highly important, and far more important than scores of billions of dollars of current consumption for some purposes, and the investment and production facilities utilized to serve such consumption. To reject this thesis in whole or in part, in the actual evolution of our national economic policies, would be deciding that the goals of a Great Society should bear the costs of a limited war, while others feed on the even greater "prosperity" which the stimulus of additional war-spending provides.

Expressed differently, while those concerned with the prevention of inflation insist that they want to prevent its cruel ravages upon the least protected and least fortunate, the just-cited method of combatting inflation would do just the reverse.

Even before the new situation in Vietnam, some of our national economic policies afford vivid examples of how an avowed campaign against inflation has redistributed income in the wrong direction, hurt those who need help most, and helped those most who need help not at all. It has been estimated that, from 1953 through 1965, the policy of tight money and rising interest rates has transferred about 75 billion dollars on net balance. Most of these transfers have been toward those who did not need this income supplementation. Most of these transfers have been *away from* those paying the higher rates of interest: the homeowner in the lower half of the income structure, including the poor; the worker buying a second-hand car on time to drive to his place of employment; the family buying a television set on time, so that those among its breadwinners who are not employed may have something to watch; the family borrowing to finance an illness of long duration or to send a child to college; the small businessman and the farmer who are far more dependent upon credit than the industrial giants whose over-investment programs are not curtailed by tight money or rising interest rates. Even now, the Federal Government is paying out more than 4 billion dollars more in interest payments than if the interest rates of 1952 had been maintained, and this alone comes to about 2½ times the fiscal 1967 Federal Budget item for the Office of Economic Opportunity. The same

rising-interest-rates policy has done even more damage to States and localities endeavoring to perform essential public service.

These excess interest payments during the thirteen-year period 1953-1965 inclusive have involved annual income transfers of about $5\frac{3}{4}$ billion dollars a year. Such income transfers, used in different ways through different programs, could have increased for each of these thirteen years by more than \$750 the incomes of all of the families in the U.S. with annual incomes under \$3,000, or increased by more than \$3,750 in each of these years the incomes of all the families in the U.S. with incomes of under \$1,000.

The technical experts may continue to argue whether this monetary policy has helped or hurt the performance of the economy as a whole, with some of them taking the latter view. But we certainly could devise methods to control inflation, more selective in nature, which would accomplish better economic results and not fly in the face of all our social and human purposes.

While the monetary policies have been used to fight inflation, tax cuts having an aggregate annual value of close to 20 billion dollars were undertaken from 1962 through 1965 for the opposite purpose of stimulating the economy. There are differences of viewpoint as to whether this was the most effective way of providing economic stimulation. By 1966, there emerged a growing recognition that the investment boom in plant and equipment had become excessive and was the main danger of an inflationary nature. But regardless of this, a large part of the increased output and job opportunities resulting from the tax cuts served national purposes of far lower priority than those which would have been served by a different balance between tax cuts and increased Federal spending, and this new balance is required in future.

Taking together the interest-payment transfers having an average annual value of about $5\frac{3}{4}$ billion dollars, and the tax cuts to stimulate investment having an annual value of not far from 9 billion, the total comes to about $14\frac{3}{4}$ billion. This is more than the amount of income needed to lift all of the 34 million poor in the U.S. above the poverty-income ceiling. Even allowing for some differences in interpretation, this leaves no room for the argument that we cannot afford what we need most.

Under any circumstances, it would be a monstrous distortion of our values as a nation and a people to argue that we should balance the desirability of reducing unemployment (and meeting the other priorities of our national needs) against the prospects of some increases in the price

level. Nothing could be more unjust than to ask unemployed breadwinners or the inhabitants of the slum ghettos to bear the cost of assuring the affluent against some increases in the prices they pay for a third car in the garage, or another fur coat, or even a few more steak dinners per week. If the pressures upon our productive resources become more severe, or even in the face of the current selected inflation, we should indeed take action — but act with fairness and regard for values.

We may be able to carry forward the great priorities of the "Freedom Budget" without tax increases, or without substantial tax increases, in view of our reserve productive powers and the great increases in our production potential from year to year. But if not, we should increase taxes by whatever amount may be necessary to impose the burden where it can easily be borne, instead of fastening it around the necks of the downtrodden. A very substantial increase in taxes could be effectuated merely by repealing recent tax cuts of very low priority, such as the amortization concessions, a portion of the corporate tax cuts, and some of the tax cuts on high- and upper-middle incomes. We should under no circumstances consider an across-the-board tax increase of a fixed percentage applicable at all income levels, for this would make even more regressive a tax structure which has become far too regressive already.

The deviations to date from appropriate economic and social policies, and any threat of further deviations in the future, do not result from ill-will. They result because we have not yet made an adequate budget of our needs and resources, identified priorities accordingly, and adjusted policies and programs to meet these goals.

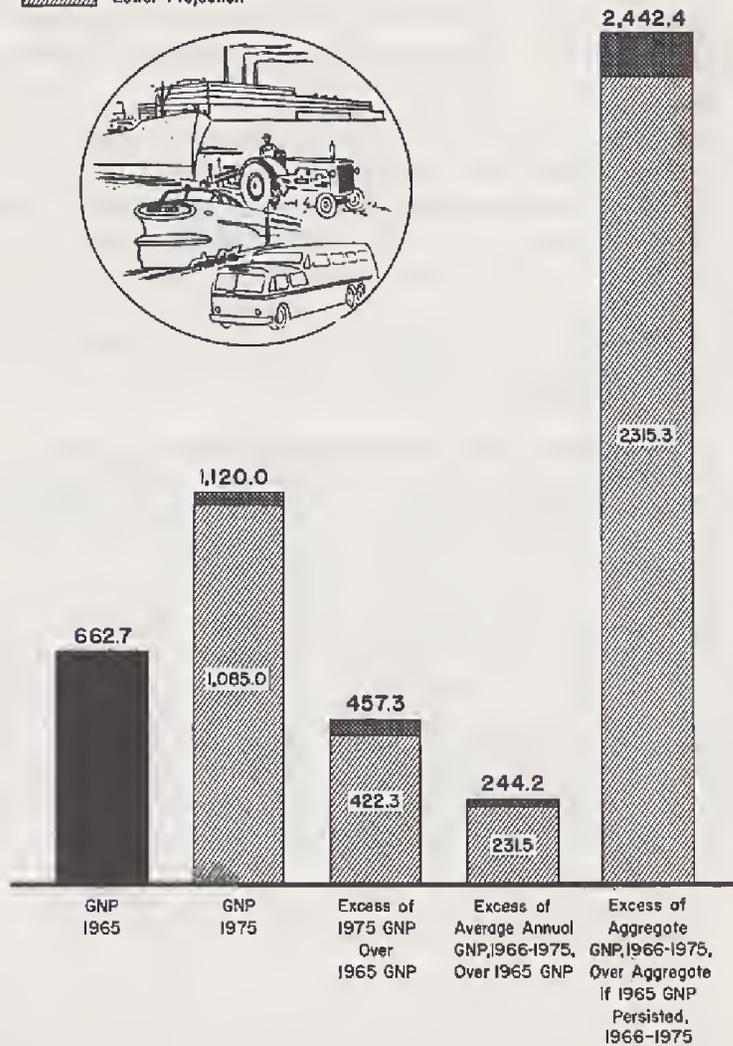
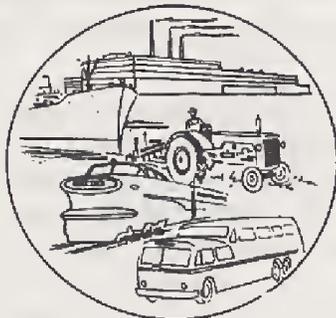
All this the "Freedom Budget" would enable us to do. It would reconfirm our power to act, improve our sense of direction, and fortify our sense of justice. It would rally to the support of its objectives the American people, and their leaders in every walk of life. It would combine economic progress with moral purpose. And that is the true role of our great democracy in a troubled world.

The six following charts complete the presentation.

HOW MUCH WE HAVE TO WORK WITH, 1965-1975 BASED ON ECONOMIC GROWTH PROJECTIONS

Total National Production (GNP) in Billions of 1964 Dollars

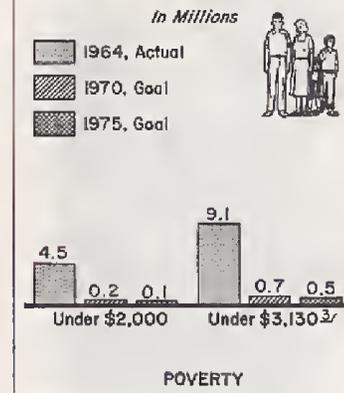
Higher Projection
Lower Projection



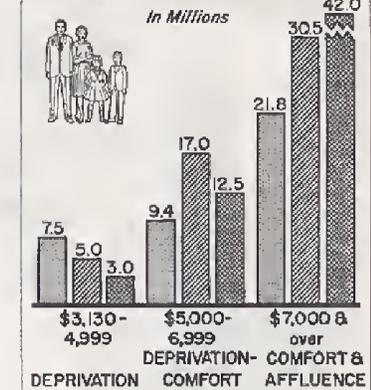
NUMBER IN U.S. LIVING IN POVERTY, DEPRIVATION, COMFORT, AND AFFLUENCE, 1964, AND GOALS FOR 1970 AND 1975

Annual Money Incomes, Before Taxes, in 1964 Dollars

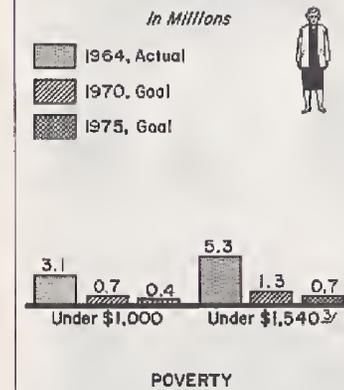
FAMILIES IN POVERTY ^{1/}



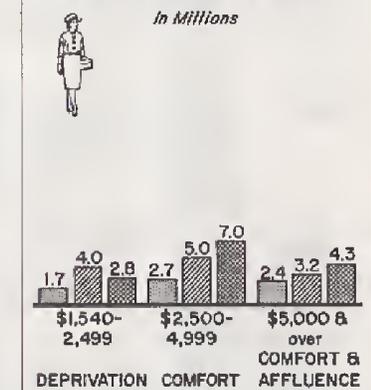
FAMILIES IN DEPRIVATION, COMFORT, AND AFFLUENCE ^{2/}



UNATTACHED INDIVIDUALS IN POVERTY



UNATTACHED INDIVIDUALS IN DEPRIVATION, COMFORT, & AFFLUENCE



^{1/} The average size of families living in poverty is 3.19, so 9.1 million families involve about 29.0 million people.

^{2/} The average size of families living in deprivation is about 3.5.

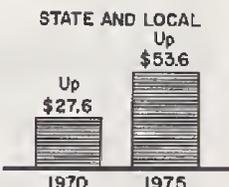
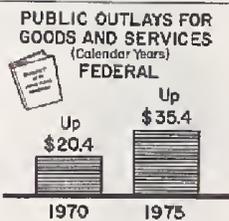
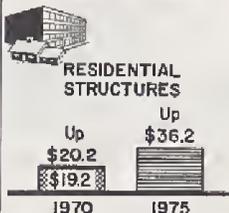
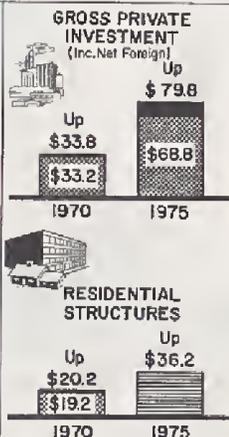
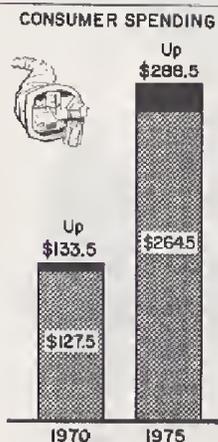
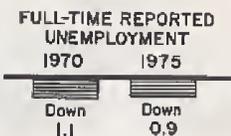
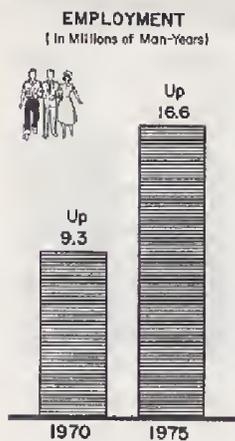
^{3/} The figures of \$3,130 and \$1,540 are the most recent estimates of the Office of Economic Opportunity with respect to the poverty-income ceiling.

Data: 1964: Office of Economic Opportunity and Bureau of the Census; Projections: "Freedom Budget".

THE "FREEDOM BUDGET," 1970 AND 1975 GOALS EMPLOYMENT, PRODUCTION, AND SPENDING PROJECTED FROM LEVELS IN 1965

Dollar Items in Billions of 1964 Dollars

Single Projection ↙ Higher Projection Lower Projection

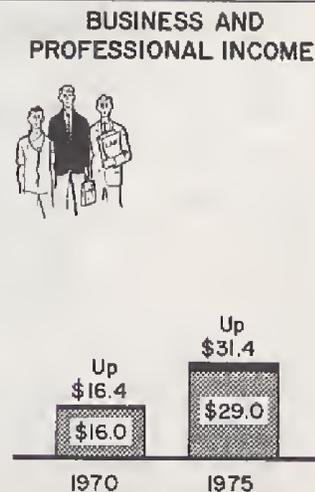
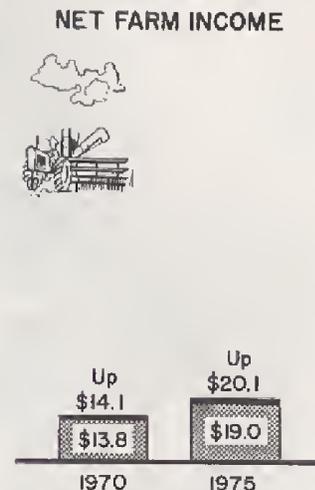
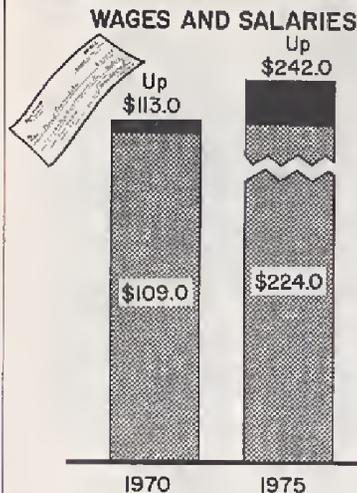


↙ The single projections relate to goals of such high priority that they should not be reduced even if only the lower goals for overall growth are attained. In that event, lower priority objectives should be modified accordingly.

THE "FREEDOM BUDGET," 1970 AND 1975 GOALS FOR GAINS IN INCOMES PROJECTED FROM LEVELS IN 1965

Billions of 1964 Dollars

Single Projection ↙ Higher Projection Lower Projection



↙ The single projection relates to a goal of such high priority that it should not be reduced even if only the lower goals for overall growth are attained. In that event, lower priority objectives should be modified accordingly.

ROLE OF THE FEDERAL BUDGET IN THE "FREEDOM BUDGET"

1967 Actual, Fiscal Year; 1970 and 1975 Goals, Calendar Years;
All Figures in 1964 Dollars

ALL FEDERAL OUTLAYS			NATIONAL DEFENSE, SPACE TECHNOLOGY, & ALL INTERNATIONAL			ALL DOMESTIC PROGRAMS					
Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}	Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}	Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}
1967 ^{1/}	104.045	521.79	15.05	1967 ^{1/}	64.560	323.77	9.34	1967 ^{1/}	39.485	198.04	5.71
1970	135.000	645.93	15.38	1970	77.500	370.82	8.83	1970	57.500	275.12	6.55
1975	155.000	685.84	13.84 14.29	1975	87.500	387.17	7.81 8.06	1975	67.500	298.67	6.03 6.22

ECONOMIC OPPORTUNITY PROGRAM			HOUSING AND COMMUNITY DEVELOPMENT			AGRICULTURE; AND NATURAL RESOURCES					
Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}	Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}	Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}
1967 ^{1/}	1.474	7.39	0.21	1967 ^{1/}	0.114	0.57	0.02	1967 ^{1/}	5.932	29.75	0.86
1970	3.000	14.36	0.34 0.34	1970	3.350	16.03	0.38 0.38	1970	10.500	50.24	1.20 1.21
1975	4.000	17.70	0.36 0.37	1975	3.800	16.81	0.35 0.35	1975	12.000	53.10	1.07 1.11

EDUCATION			HEALTH SERVICES AND RESEARCH			PUBLIC ASSISTANCE; LABOR, MANPOWER, AND OTHER WELFARE SERVICES					
Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}	Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}	Year	Total Expend. (Bil. \$)	Per Capita (\$)	% of GNP ^{2/}
1967 ^{1/}	2.612	13.10	0.38	1967 ^{1/}	3.338	16.74	0.48	1967 ^{1/}	4.371	21.92	0.63
1970	7.000	33.49	0.80 0.80	1970	4.800	22.97	0.55 0.55	1970	6.600	31.58	0.76 0.76
1975	9.500	42.04	0.85 0.88	1975	7.000	30.97	0.62 0.65	1975	7.500	33.18	0.67 0.69

^{1/}Administration's Proposed Budget as of Jan. 23, 1966, adjusted to 1964 dollars.

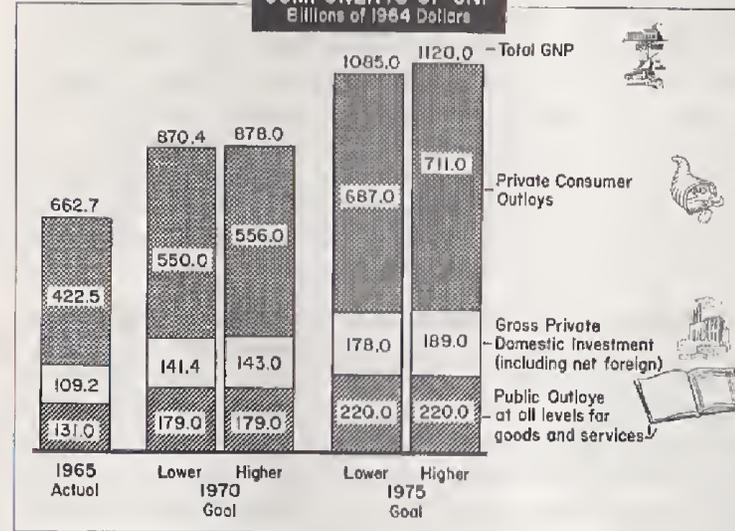
^{2/}1970 and 1975 ratios to GNP on basis of higher and lower GNP projections.

Note: Total Proposed Budget also includes a Federal contribution of one billion dollars in 1970, and two billion in 1975, to the OASDHI to help increase benefit payments to the aged.

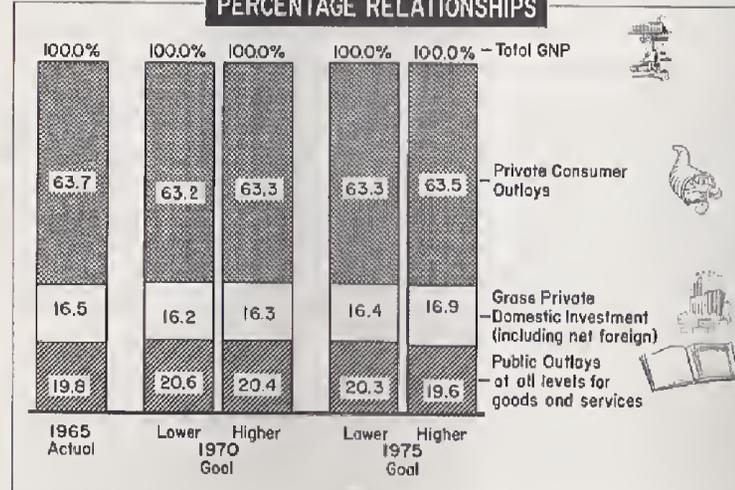
THE "FREEDOM BUDGET" MAINTAINS BALANCE OF PUBLIC AND PRIVATE RESPONSIBILITIES

COMPONENTS OF GNP

Billions of 1964 Dollars



PERCENTAGE RELATIONSHIPS



^{1/}Public outlays are of such high priority that they are projected identically for the lower and higher GNP goals, with modifications of other goals accordingly.

Technical Note

The economic and financial projections in the "Freedom Budget" are based upon a "model" for a comprehensive U.S. economic budget, or balance sheet of our resources and needs. All of the components are reconciled on both the product and income side. As projections of this type involve a quantitative balance sheet which reconciles all items, it is hardly possible to embody in the "Freedom Budget" what might be called "average" projections, including those of several competent organizations interested in this problem. Nonetheless, the projections for overall economic growth in the "Freedom Budget," and correspondingly for some components thereof, are set forth within a band or range which takes account of some of these competent projections.

For example, the "Freedom Budget" projects a 1975 gross national product within a range of from 1,085 billion dollars to 1,120 billion dollars, measured in 1964 dollars. A study entitled *The Dollar Costs of Our National Goals*, prepared by Leonard A. Lecht and published by the National Planning Association in May 1965, projects for 1975 a gross national product of 981 billion dollars, which would be about 1,010 billion when converted into 1964 dollars. The Conference on Economic Progress, in its studies directed by Leon H. Keyserling, projects a 1975 gross national product of 1,120 billion dollars in 1964 dollars. A pioneer and widely-accepted study in 1958 projected an optimum gross national product in 1975 of about 1,050 billion dollars measured in 1957 dollars, which would be 1,173 billion when converted into 1964 dollars.

The varying estimates of our gross national product potential by 1975 result primarily from varying estimates as to the feasible growth in productivity or output per man-hour in the private sector. Some competent estimates on this score have ranged from 3.0 percent to 3.8 percent. The "Freedom Budget" utilizes estimates within a band ranging from about 3¼ percent to about 3¾ percent, consistent with estimated total national production (GNP) ranging from 1,085 billion dollars to 1,120 billion in 1975, measured in 1964 dollars.

The probabilities are that any one of the various projections is "valid," depending upon the relative weight attached to the cost of increased exertion and policy efforts, measured against the benefits to be achieved, and this involves taking into account not only purely economic issues but also the feasibility of various ranges of policy endeavors and popular attitudes.

While the "Freedom Budget" projects the 1975 gross national product within the ranges set forth above, it does not correspondingly use ranges in quantifying the great domestic priority objectives. To do so would overcomplicate the entire presentation. Much more important, the "Freedom Budget" is based upon the proposition that the same great domestic priority objective should be sought whichever of the two gross national product targets is chosen, which would mean simply that the choice of the lower GNP target (in contrast with the higher GNP target) would require a slightly lower rate of growth in relatively less essential areas of endeavor in order to leave room for the great domestic priority targets. The U.S. economy is now so productive, and its potential for further gains is so immense, that we can afford, and cannot afford to neglect, these great domestic priority targets, whether the GNP by 1975 grows to 1,085 billion dollars or 1,120 billion, or even only to 1,000 billion.

Indicative of the reasonableness of the great domestic priority targets set forth in the "Freedom Budget," is a comparison of their magnitudes with estimates based on a detailed study prepared by Gerhard Colm and Peter Wagner of the National Planning Association and published by the Brookings Institution. In the following table, column (a) represents the Federal Budget goals of the "Freedom Budget" for 1975. Column (b) presents estimates based on the NPA-Brookings study. Before the two columns can be compared, it must be noted that the "Freedom Budget" (column a) is stated in 1964 dollars and in terms of the Conventional Federal Budget, while the NPA projections (column b) are stated in terms of current dollars, assuming an annual price rise of 1.5 percent, and in terms of the Federal Cash Budget. Column (c) presents the Colm-Wagner projections adjusted to achieve comparability with the "Freedom Budget"; that is, they are expressed in 1964 dollars and in terms of the Conventional Federal Budget. This reduces the total from 71.3 billion dollars to 51.5 billion. Actually, the Colm-Wagner projections for 1975 are extrapolations of their estimates for fiscal year 1973. They are the highest of four alternative projections, and are made under the assumption that there will be substantial reduction in arms outlays. With the exception of an alternative of the Colm-Wagner projections which excludes adoption of any new programs, the projected totals based on the other three alternatives would range between 41.0 billion dollars and the 51.5 billion shown in the table. Thus, the 45.8 billion dollars total in the "Freedom Budget" for 1975 falls about midway between the lower Colm-Wagner projection of 41.0 billion and the higher Colm-Wagner projection of 51.5 billion.

	<i>(in billions of dollars)</i>		
	<i>(a)</i>	<i>(b)</i>	<i>(c)</i>
Housing and community development	3.8	9.5	6.2
Health services and research	7.0	9.5	7.8
Public welfare; labor and manpower	7.5	19.3	10.4
Contribution to OASDHI	2.0	—	—
Economic Opportunity	4.0	7.0	5.7
Education and research	9.5	16.3	13.8
Agriculture; natural resources	12.0	9.7	7.6
	45.8	71.3	51.5

Furthermore, the differences between columns (a) and (c) are probably even less than appear. With respect to housing and community development, for example, it may well be that the difference between the 3.8 billion dollar figure in column (a) and 6.2 billion dollar figure in column (c) is much greater than the difference in the respective programs contemplated, and is to be explained by different methods of financing of the Federal contributions in aid of projects.

It therefore appears that the variations in detail in various competent studies do not substantially affect the validity of the "Freedom Budget," when properly interpreted as a broad expression of our economic capabilities and the goals we should seek.