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Summary of Remarks by Mrs. Arynness Joy Wickens
at the 41st Annual Agricultural Outlook Conference
Panel Discussion on the National Economic Situation and Outlook
Washington, D. C., Monday, November 18, 1963

It is my purpose today to discuss three aspects of the economic outlook for 1964 -- employment and unemployment, wages, and prices. Mr. Daly, in his opening statement, has set the stage.

The direction of the change in activity and employment for at least the early part of 1964 is not generally in question, for the economy today has considerable momentum. However, the anticipated size and duration of the increase depends largely upon one's views on a tax cut -- whether, when, and how -- and on the possibility of a major expansion in private capital investment.

Employment

In the context of Mr. Daly's evaluation, the first question is: Will the rise in activity be sufficient to reduce unemployment to more acceptable levels?

The anticipated rise in economic activity should bring a further increase in total employment -- just such a rise as we have had since the latter part of 1961, with the exception of the plateau -- or shall we call it a slowdown -- about a year ago at this time, when we last met. The employment record of the past two years shows a substantial gain. Almost 2 million more people were employed this October than in October 1961, and one million more than a year ago.

From the low of this cycle, however, employment has expanded by only 4.0 percent, seasonally adjusted, although industrial production has increased by over 20 percent, and GNP about 15 percent, in real terms. This gain in employment is much smaller than in earlier postwar recoveries. It is far from being big enough to reduce unemployment substantially.

In this recovery, the increase in employment has been entirely in nonagricultural work. Other industries more than took up the slack in agriculture.

Throughout this current expansion factory employment has increased substantially, especially in durable goods such as automobiles and in the other metals and metal-working industries as well. Expansion in defense work was important in 1961 and early 1962, during the tension in Berlin; recently defense employment has slackened somewhat. However,

capital goods and consumer durables have continued to gain. Construction, too, has engaged a larger number of people. Yet total employment in each of these industries is still no higher than it was in 1956. Mines and the railroads have reduced employment further. In this recovery, as in most of the postwar period, the largest increases in actual numbers of jobs have come in trade, in State and local governments (mostly in education), in services and in a variety of miscellaneous occupations.

More people are now working fulltime than last year and the factory work week has been longer than usual, averaging over 40 hours a week for virtually all of the past two years. In September, factory overtime was the highest since the beginning of our records in 1956 chiefly because of the schedules of automobile manufacturers and seasonal industries which find it more advantageous to work overtime than to go through the involved process of hiring new people to meet short-term peaks.

Productivity, for the economy as a whole, has increased in the past three years beyond the average rate for the post war period. In manufacturing, the annual increase in output per man hour has been quite high -- over 4 percent a year -- compared with an average of 2.7 percent in the postwar period 1947-62. Some industries, including agriculture, and many individual plants have introduced new technology which has had considerable effect in reducing job opportunities. But even the smaller long-run average gain in productivity means that we must find some one and three-fourths million more jobs each year for those that are displaced, either actually or potentially, on top of the need for more than one million jobs to take care of the annual net addition to the labor force.

The crucial problem for the future is the persistence of an unduly high level of unemployment. This autumn, the seasonal low point of unemployment for the year, there have been about 3.5 million people out of work. Nearly half a million of them have been unemployed for six months or more -- the same number as last year. Many of these, of course, are different people; some individuals get jobs, other lose jobs, and the group changes constantly.

The overall unemployment rate has been at 5.5 percent or a little over since the early spring; indeed, it has varied between 5.5 and a little over 6 percent for nearly two years. Having cited this rate, I want to caution you not to put too much emphasis on it as a guideline to questions of policy. It conceals the very trends on which program decisions should be based. Rather, I suggest that you look at the rates for different parts of the labor force. The rate for married men -- generally experienced and attached to jobs -- is now only 2.9 percent; it has come down one-half percentage point in the past year. The highest unemployment rate is for young people under 20. It has been over 15 percent this autumn, substantially higher than a year ago and almost as high as in the recession years of 1958 and 1961. The unemployment rate for women has not diminished. In other words, we have not had enough economic growth to take care of new job seekers, the inexperienced, the less skilled, or the technologically displaced.

In 1964, the level of unemployment will depend importantly on the size of the labor force. It is expected to expand by about 1,200,000, a little more than this year. The effect of the big population bulge comes a little later -- in 1965. The babies born in 1947 were 16 years old this year. More are staying in school now than in earlier years and they are only beginning to go job hunting at 16 or 17 or 18 -- and then many of them are looking for part-time jobs. But in 1964 and especially in 1965 young people will contribute in a special way to the rate of unemployment unless strong, effective measures are taken to help them find work or to keep them in school.

If there is only a modest increase in activity next year, the labor force may increase less than is projected; more young people will stay in school and probably fewer women will seek work and the overall rate of unemployment could be higher than at present.

If there is a substantial increase in activity, and the more optimistic forecasts of today prevail, the unemployment rate would go down below today's level.

For farm youths or mature farmers looking for urban jobs, an adequate education, training in a marketable skill and placement help to find jobs in strange cities becomes increasingly important.

Above all, our economy in this coming year requires the stimulus of new activities, of innovation, of new products -- our principal source of employment growth. Even if demand and the level of output rise substantially, however, there will remain special problems of unemployment for which special programs will be required. The unemployed are not just statistics -- they are real live people, out of work and out of money.

Prices

Prices are not likely to be a causative factor in economic developments in the coming year. The last several years have seen marked stability in the general level of wholesale prices and a persistent gradual upward trend in consumer prices. In 1964, wholesale prices are likely to rise moderately. As for consumer prices, there appear to be no factors in the offing which would change their continued upward trend.

Prices in the industrial sector -- outside of agriculture -- have had a tendency to "firm up" lately as markets have been tested. For some basic commodities, mostly metals, and for metal products and machinery, there have been price advances. Despite these increases, however, prices of many of the basic commodities average out below their 1960 levels. The recent increases are generally of the dimensions one might expect in an active economy, just as the declines in 1961 reflected the weaknesses in demand of that period and the overcapacity in some industries.

The Consumer Price Index remained fairly steady for the three months July through September this year, after a sharp rise in the early summer, and is now about 1 percent above a year ago. Food prices have been responsible for most of the marked month-to-month fluctuations this year. Charges for services have continued to rise throughout the year.

For next year, no major new forces affecting consumer goods prices are in evidence, unless this conference sees some that will change prices of foods -- and I leave that to you. Consumer demand continues strong, especially for a variety of durable goods; it seems to be moving toward more expensive or higher quality models. "Trading up" seems to be characteristic of today's consumer buying.

There are, however, some potential upward pressures on costs and prices at both wholesale and retail which most current appraisals tend to overlook -- the possibility of higher transportation charges, especially for trucking, and the rising level of State and local taxes on industry, on retail sales and on real estate, as communities seek to finance additional services.

Wages

So far as wages are concerned, it is expected that the increases in 1964 will not differ markedly in size from those in 1963 or 1962, and 1961, for that matter. Only a very drastic change in the economic climate leads to a substantial change in the size of wage rate increases.

Wage changes in major wage settlements have been somewhat smaller this year than in 1962 -- indeed they have been smaller in cents per hour for the past 3 years than in earlier years. The wage increase in negotiated contracts in all industries has been about 3 percent or about 7 cents an hour; in manufacturing about 2.5 percent or 5 cents per hour; in construction 3.8 percent or 14 cents an hour. These changes are for cash wages and do not reflect the cost of "fringe benefits" on which negotiations have concentrated to a considerable extent. "Fringe benefits" add to total labor costs, but even taking them into account, the rate of increase in labor costs in major bargaining agreements seems to have been smaller in the past three years than earlier.

Most of these data are for contracts for production workers. There is some evidence that white-collar wages and salaries in private industry -- where there are shortages -- have been going up faster than rates for blue collar workers.

In 1964 the industries in which there will be new negotiations include automobiles and parts, farm equipment, construction, trade, and some of the telephone companies. Most major trucking agreements expire early in 1964. This can be a matter of great interest to you since so much of your shipping is done by truck -- as can the conclusion of the railroad work rule negotiations.

In view of this year's high profit record in some industries, one must expect some very hard bargaining. The emphasis in bargaining is likely to continue to be on various methods of improving job security as well as on higher incomes.

Some wage increases are already negotiated to become effective in 1964; they do not differ significantly from the increases in 1962 or 1963. There will be no cash wage increases in basic steel, or aluminum since there will be no new negotiations next year.

Some rates are tied to the cost of living -- about 2.5 million workers are covered by such contracts -- and their pay will be determined by the rate of increase in consumer prices.

In summary:

The expectation is for moderate price and wage changes similar to the emerging trends of this year; a further increase in employment, and, given a strong advance in activity, a reduction in unemployment.