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INVESTMENT IN RURAL PEOPLE – AND IN THE FAMILY FARM

Related articles having to do with the "living potential" in rural areas appear to be of much interest to Nebraskans and are reprinted here as companion pieces. The article on investment in rural people in their home communities is reprinted from a column by James D. Templeton, Director of Rural Affairs, U.S. Office of Economic Opportunity in the July, 1969, issue of Rural Opportunities. The discussion on the future of the family farm is reprinted from the June, 1969, issue of the Farm Index. E. S. W.

INVESTMENT IN RURAL PEOPLE WHERE THEY ARE

Most people, when they think of economic development in rural erica, think in terms of industrial potential, of "growth poten-." I think they overlook something much more basic: living ential.

y living potential, I mean the opportunity for human growth, work and for leisure, for decent food and housing, and for ac-s to the human services such as health, education, welfare, nmunication and transportation - the things that the city nor-lly provides, but that are hard to come by in the country.

Population growth and productive enterprise follow the develop-nt of living potential in rural areas; they do not precede it.

t is the rural people themselves who must be trained and em-yed in delivering the human services in rural areas.

For years, population has been driven away or drained away m rural areas, until there is not enough to support medical rvices or vocational training centers or specialized occupa-ns. These are in the cities, and the people follow them. Yet, our population grows and overflows the cities, people want an ernative to congestion. But they don't want to leave behind the rvices that they depend on for themselves and their children. t until they have the assurance of health and educational sup-rt, and of continuing access to modern communications, will y be content to resettle and to bring with them their enter-ises and their skills and their incomes. Sometimes a new in-stry will populate an empty area; often, it is a new medical cen-, like the Mayo's in rural Minnesota, that sparks the growth a town into a business and cultural center.

But "services" are simply people working at the service trades. ke health: for every doctor there must be scores of nurses, rse's aides, technicians, secretaries, laboratories, commun-ations workers, drivers, makers of cloth and paper and glass d steel and chemicals. Hospitals require builders, nursing mes need dieticians. Every one of those workers has to be (1) ined (or, in many many cases, discovered already living within community, and retrained); and (2) employed. Untold thou-nds of health services personnel are needed for rural health; d they are there now, waiting to be put to use, to be educated d given jobs - where they are, and not by being sent to distant ies from which they won't come home after they are trained. Let us put our investment in rural people, where they are; let build up the human services that make rural places attrac-e to settlement and to enterprise.

CAN THE FAMILY FARM COMPETE?

The family farm has a proud past. It's been the institution under which U.S. agriculture has moved from the subsistence level of the Indians to the superabundance of today.

What of the present? Can the owners of a family farm acquire the vast amounts of capital needed to compete in modern farming? Do they have the technical know-how, the managerial talent to run modern farms, which are looking more and more like big businesses?

Or has the family farm outlived its time? Is it an anachronism in today's world, destined for extinction in tomorrow's?

Many who question the viability of family farming in modern times equate it with small-scale farming. And there is little doubt that small-scale farms will be subjected to increasing economic pressure.

Family farms, however, are often far from small. Machinery and other capital investments have greatly multiplied the outreach of a farm family's labor. Thus, family farms can become quite large, but they remain family farms in the sense that the family still provides most of the management and more than half the labor.

Proportion of Family Farms Unchanged

Family farms dominate the U.S. agricultural scene. They accounted for 95 percent of all farms in 1964 - the same proportion as in 1949.

This does not mean, however, that there are as many family farms now as there once were. Since 1949, farm numbers have declined and family farms have shared in the drop. Their numbers may shrink even more in the years ahead, as the trend to fewer but larger farms continues.

Size of Farm Needed

Family farms which cannot grow up to a profitable size and those managed by ineffective operators will continue to be absorbed into large units or be converted into part-time or retirement enterprises.

Gross annual sales of $10,000 have been used in the past by economists of the Economic Research Service of the U.S. Department of Agriculture as the dividing line between adequate and inadequate family farms - and consequently the dividing line between the expanding and contracting sectors of family farming. The $10,000 dividing line may be out of date, however. One ERS study showed that cash-grain and hog farms in Illinois, projected

(Continued on page 2)

COMMUNITY DEVELOPMENT

The Distressed Area: Some Symptoms, Causes, and Solutions by Dr. Edward L. Hauswald, has been published as Occasional Paper Number One by the Bureau of Business Research. Dr. Hauswald, who is Associate Director of the Bureau and has directed a number of community studies, includes in his paper comments on community research and action programs and the potentiality of community economic development.

Intended as educational material for those involved in community development, the publication draws together related ideas which are in part informational and in part procedural. It is suggested that persons interested in local industrial or commercial development organizations will find in it not only "what to look for," but also "what to do," and "where to find assistance."

Individual copies may be obtained from the Bureau of Business Research at $1.00 per copy. Arrangements can be made for quantity orders at a lesser per-unit cost. D. S.

THE NEW COMMUNITY PRESS

The New Community Press (NCP), an independent nonprofit corporation, has published three books that appear to merit attention. NCP is described as "an experiment in how to develop those forms of communication needed to build a new spirit of community within the nation." It was launched in 1968 with three initial publications: Hunger, U.S.A., a report by the Citizen's Board of Inquiry Into Hunger and Malnutrition in the U.S., immediately attracted nationwide attention, as did New Schools for the Cities (by Harvey Pressman), which was described as a blueprint for urban ghetto education; Everyman's Guide to Federal Programs is a useful tool for community groups because it is indexed and regularly updated.

During 1969 NCP initiated a magazine-style supplement to the Guide to make it more useful for program analysis. The supplement consists of a series of investigative reports which pinpoint the actual status of specific government programs for the community.

Publications may be obtained from the New Community Press, 3210 Grace St., N.W., Washington, D. C. 20007 at the following prices: Hunger, U.S.A., $1.95, New Schools for the Cities, $1.00, Everyman's Guide to Federal Programs, $9.95, and Guide Reports, $6.00 per year.

Planning for Rural Industry, Federal Extension Service, Unit States Department of Agriculture, 1969, U.S. Govt. Printing Offi Washington, D.C. 20402. Paperback, 25¢.

This brief presentation of concepts and suggestions relative expansion of industry into smaller cities and rural areas can a thought-provoking and helpful guide to community leaders. N to be regarded as a manual on specific procedures, which shou be developed locally on the basis of local statutes, organizatior and requirements, this publication is primarily an educatior reference. It provides a synopsis of the basic theory and pri ciples applicable to industrial development and sets forth sor basic guidelines to facilitate analysis of a community's potenti to attract and support such growth.

Outlines for appraising the community's potential, for evalu ing various types of industry, and making feasibility analyses specific firms are presented in considerable detail. It is point out that careful community appraisals may indicate numero deficiencies in the ability to attract industry and that decisio must then be made as to whether or not it is possible or desi able to try to correct these deficiencies.

In evaluating various types of industry questions must be rais as to whether a specific industry will help solve the community problems or be a contributor to more and greater problems. T community must determine which type of industry most near meets the needs of expanding employment, raising the level wages, adding to economic growth, or complementing existi production. The necessity for feasibility studies arises from t fact that in their zeal to attract new business and industry, cor munity leaders are often not mindful of the fact that many ne enterprises fail. In Nebraska, as elsewhere, too many comm nity-sponsored projects have been promoted without adequate a tention to the facts, hence the warnings in this monograph a pear to be appropriate.

Although the publication was prepared specifically for use agricultural extension leaders, it is a valuable reference for a who wish to achieve greater understanding of the factors involv in developing and expanding rural industries.

D.

(Continued from first page)

for expected conditions in 1970, would not begin to yield a management return until gross income reached about $20,000.

In fact, it may take gross sales of $40,000 or more to yield the labor and management earnings needed to hold talented farm family members whose skills are also prized in the nonfarm labor market. How many family farms can reach this size - $40,000 or more in gross sales annually? Certainly not all those that are farming today. But a number have already topped this mark. Large, family-run cash-grain operations in Illinois approached $100,000 in sales in 1967, while many hog and beef cattle farms had gross sales well in excess of $100,000.

It takes good, if not superior, management to operate a farm of this size. It means the family members must be wise in the ways of financial planning and capital utilization. It often means forsaking the once major goal of full ownership of all resources. relying instead on borrowed capital and rented land and other resources.

Demands of Technological Advances

With the rapid technological advances in food processing a distribution, operators of family farms must gear up for quali control. They must know market requirements and find ways producing, timing, sorting, assembling, and transporting pro ucts as effectively as can any alternative producing firm.

The family farm of tomorrow will be larger, in all respec than the family farm of today. It may combine the labor of se eral families - to spread the growing management responsib ities and work load, to provide needed individual specializatic to reduce the dangers inherent in complete dependence upon o man, and to leave time for leisure for each family member.

But whatever the family farm becomes in the future, it certa ly will not become extinct. Its No. 1 position in U.S. agricultu may even be strengthened by continued mechanization, and pe haps more so through input-service packages that embody add labor and management as well as material production needs.

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THE IN GROUP

The following brief but salutary discussion of migration as a sign of a healthy economy when "there's traffic on both sides of a two-way street" is reprinted from the July, 1969, issue of the Farm Index, publication of the Economic Research Service of the U.S. Department of Agriculture. The material is an excerpt from a speech by Alan R. Bird on the topic "Regional Development Strategies in Relation to Rural People - Some Alternatives and Their Implications." E. S. W.

Out-migration from an area is usually taken as an omen of economic ill health. But in-migration, or the lack of it, is more often the real tip-off to the economic health of a community.

Many of our nation's soundest economic areas lose plenty of people each year. San Francisco, for example, recently has had rates of out-migration that virtually match those from the Black Belt of Alabama. The difference between the two areas is that people move into San Francisco as fast as others move out. And that's not the case in Alabama.

Encourage In-Migration

Many depressed rural areas can best cure their depopulation problems not by trying to arrest out-migration but by trying to encourage in-migration, particularly of skilled workers.

Economically developed areas contain a vast reservoir of potential migrants - skilled people who will pick up and move anywhere in the nation if it means a better job, a better income, a better place to live.

This mobile group moves mostly from one developed (and usually urban) area to another, because that's where the best job opportunities are.

But many might welcome a change from city to country living if rural areas provided them wage and salary incentives, and community and social services comparable to those they already enjoy.

Migration is a sign of a healthy economy - when there's traffic on both sides of a two-way street, wherever it is.

REVIEW

Demographic and Social Considerations for U.S. Rural Economic Policy, Calvin L. Beale, Reprinted from American Journal of Agricultural Economics, Vol. 51, No. 2, May, 1969, available from Economic Research Service, U.S. Department of Agriculture, Washington, D.C. No charge for single copies.

In this reprint pamphlet Mr. Beale, who is leader of the population studies group in the Economic Development Division of the USDA, points out that national generalizations can often be misleading and potentially harmful in any analysis of rural areas. Emphasizing the fact that there are widely divergent demographic conditions in the rural population associated with different geographic regions and ethno-cultural groups, the author nevertheless supplies pertinent information with respect to population growth trends, migration patterns, fertility, age structure, and changes in small towns.

It is not contended that population growth in small towns is necessarily the same as economic growth because it is recognized that some towns - the smallest in particular - have unquestionably had a decay of economic structure even with some increase of population, because of such factors as a larger population of retired age or the ability of residents to commute to other communities for goods and services.

The focus of this article (reprinted in pamphlet form) is on demographic issues, but the author's comments on social considerations also are significant. D. S.

POPULATION LOSSES

Because municipal government officials in Nebraska towns that are losing population[1] face many problems, there is considerable interest in effecting a balance between the size of a city and its services to the community. For that reason the excerpts from Bruce Johnson's special material which appeared in the June, 1969, issue of the Farm Index are reprinted below. E. S. W.

There is a delicate balance between the size of a city and its community services.

And it can be tossed out of kilter if the city's growth patterns change markedly one way or another, and services can't be weighted accordingly.

Public financial planners rely on projections of current trends to determine probable needs of the future. But this approach isn't adequate for cities with accelerated rates of growth or decline.

ERS[2] economists have examined and diagnosed some of the shifts that take place in local government spending, revenues, and debt following major population changes.

Their study compares two sets of cities, each with a 1950 population of 25,000 to 50,000 and each outside Standard Metropolitan Statistical Areas. One set lost population between 1950 and 1960; the other grew anywhere from 33 to 99 percent in the same period.

Spending. The growing cities committed more of their total budgets to capital over the 10-year period; declining cities' budgets went for immediate municipal needs.

Growing cities were able to spend a greater proportion of their money for health services and recreation. Police and fire protection and highway maintenance took most of the budget for declining cities.

Revenue. Growth areas relied less on tax revenue than declining areas, though both groups of cities lowered their reliance on taxes during the study period.

The declining cities did rely more heavily on property taxes to produce revenue, however, while growing cities received a greater share of their revenues from service charges and miscellaneous revenue.

Intergovernmental revenues remained nearly constant during the study period.

Debt. Growth cities appeared more likely to use revenue bonds and incur long-term debts. Declining areas allotted an increasingly large share of their budget to meet interest payments, and relied more on short-term debts.

[1]See Business in Nebraska, April, 1969.
[2]Economic Research Service, U.S. Department of Agriculture.

Business Summary

Nebraska's general business activity moved upward in September after an August hesitation. Dollar Volume was up 6.4% over last year; Physical Volume rose 2.3%. For the fourth successive month Nebraska's gains fell short of those recorded for the U.S. as a whole.

Retarding the State's year-to-year growth were the low levels of activity in Construction and Electricity Produced. The latter was notably below its level of last year. Construction was off for the third successive month. September Retail Sales, as adjusted for price changes, showed some strength. A marked gain occurred in Employment, particularly in the Manufacturing sector. Most of the State's major centers appear to have levels of Construction markedly lower than last year.

October's level of Retail Sales was 7.3% above that of the same month last year. A gain in Soft Goods more than offset a slight drop in Hard Goods. Although reflecting rising prices, the gain was in part real. Relative to last year, all but 2 of 22 localities, from which reports are received, showed gains. Beatrice, Columbus, Nebraska City, and So. Sioux City lead the advances. Omaha, up 1%, and Lincoln, up 2%, fell behind most other places.

All figures on this page are adjusted for seasonal changes, which means that the month-to-month ratios are relative to the normal or expected changes. Figures in Table I (except the first line) are adjusted where appropriate for price changes. Gasoline sales for Nebraska are for road use only; for the United States they are production in the previous month. E. L. HAUSWALD

I. NEBRASKA and the UNITED STATES

SEP Business Indicators	Percent of 1948 Average		Percent of Same Month a Year Ago		Percent of Preceding Month	
	Nebraska	U.S.	Nebraska	U.S.	Nebraska	U.S.
Dollar Volume of Business	340.4	403.1	106.4	110.8	104.4	101.3
Physical Volume of Business	218.0	239.9	102.3	105.3	99.9	99.9
Bank debits (checks, etc.)	274.2	430.8	112.2	114.4	112.2	102.4
Construction activity	220.0	173.0	77.3	101.1	95.9	100.8
Retail sales	159.3	183.3	101.3	96.8	103.1	99.2
Life insurance sales	395.1	468.9	108.8	105.0	98.5	103.2
Cash farm marketings	211.8	144.0	101.2	97.7	122.1	88.9
Electricity produced	393.2	515.0	98.5	111.5	82.4	99.1
Newspaper advertising	167.0	152.5	100.7	100.3	98.6	97.6
Manufacturing employment	177.2	131.9	105.9	102.3	98.7	99.3
Other employment	146.8	173.1	103.3	103.3	100.5	100.5
Gasoline sales	249.9	231.2	102.6	103.2	96.8	96.6

II. PHYSICAL VOLUME OF BUSINESS
Percentage of 1948 Average

Month	Nebraska 1968-69	U.S. 1968-69
September	213.2	227.9
October	209.8	232.6
November	201.4	231.1
December	203.6	232.9
January	216.1	232.7
February	231.1	239.6
March	223.9	238.1
April	224.8	240.0
May	219.6	240.7
June	225.0	243.3
July	219.1	243.7
August	218.2	240.1
September	218.0	239.9

III. RETAIL SALES for Selected Cities. Total, Hard Goods, and Soft Goods Stores. Hard Goods include automobile, building material, furniture, hardware, equipment. Soft Goods include food, gasoline, department, clothing, and miscellaneous stores.

OCT City	No. of Reports	Percent of Same Month a Year Ago: Total	Hard Goods	Soft Goods	Percent of Preceding Month: Total
THE STATE	703	107.3	99.7	109.1	106.7
Omaha	56	101.1	100.3	101.8	104.0
Lincoln	61	101.9	99.3	104.0	102.5
Grand Island	30	105.0	109.1	101.3	102.1
Hastings	27	106.2	105.2	107.1	103.3
North Platte	18	100.2	92.1	111.5	100.4
Fremont	22	109.0	114.3	104.4	115.6
Fairbury	26	100.4	94.0	107.1	93.0
Norfolk	29	105.0	113.6	97.6	108.7
Scottsbluff	34	104.3	101.4	106.8	91.7
Columbus	26	113.6	116.4	110.3	106.9
McCook	17	98.4	91.8	108.3	98.8
York	24	103.7	103.9	103.6	113.0

IV. RETAIL SALES, Other Cities and Rural Counties

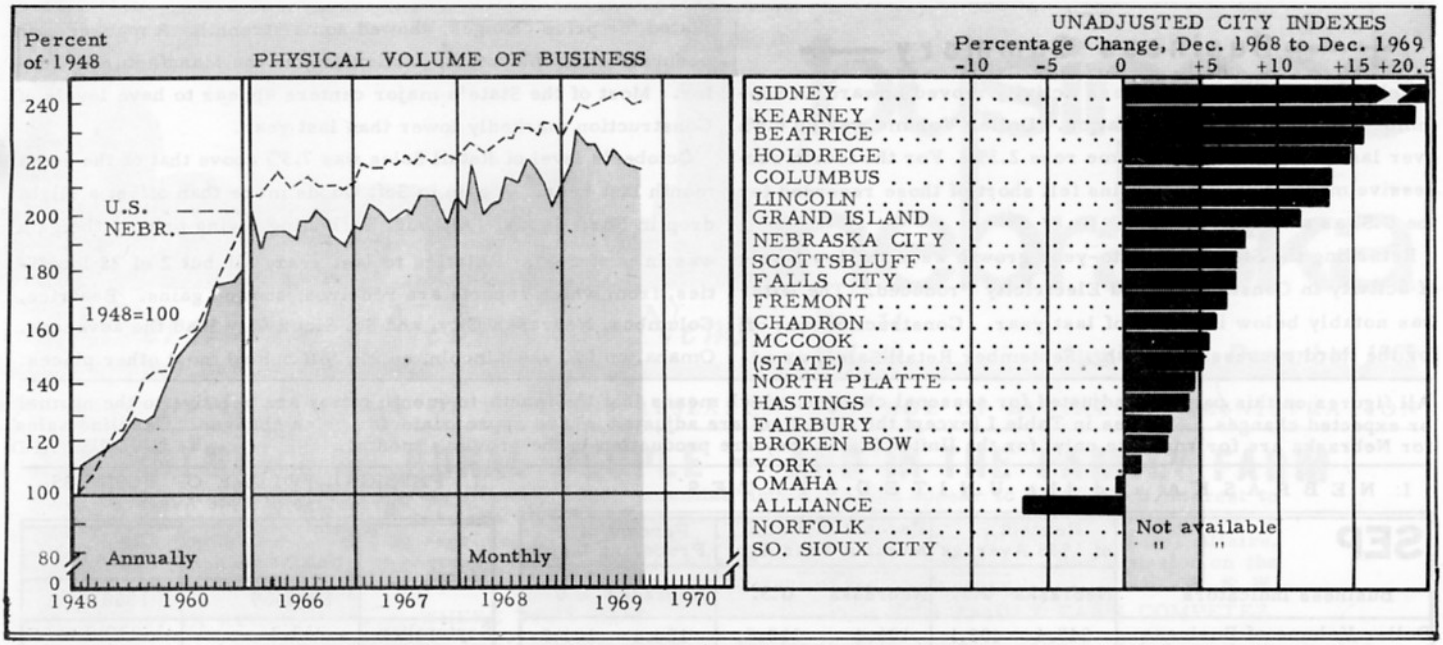
OCT Locality	No. of Reports	Percent of Same Month A Year Ago	Percent of Preceding Month
Kearney	16	111.9	101.1
Alliance	26	108.0	109.4
Nebraska City	16	115.1	118.0
Broken Bow	14	99.8	99.6
Falls City	16	107.7	109.4
Holdrege	17	101.1	121.6
Chadron	20	104.9	103.0
Beatrice	18	127.8	117.5
Sidney	22	104.3	95.5
So. Sioux City	9	112.6	107.7
Antelope	8	108.3	116.9
Cass	18	108.2	98.8
Cuming	9	100.0	134.4
Sand Hills**	24	94.0	127.1
Dodge***	8	103.3	123.3
Franklin	9	107.8	101.4
Holt	13	121.5	102.4
Saunders	11	113.9	112.1
Thayer	8	111.0	108.7
Misc. Counties	51	116.1	114.0

**Hooker, Grant, Dawes, Cherry, and Sheridan Counties

V. RETAIL SALES, by Subgroups, for the State and Major Divisions

OCT Type of Store	Percent of Same Month a Year Ago: Nebraska	Omaha and Lincoln	Other Cities	Rural Counties
ALL STORES****	107.3	104.6	105.7	111.6
Selected Services	116.3	130.2	103.6	115.0
Food stores	109.9	111.8	105.1	112.7
Groceries and meats	110.3	118.2	104.2	108.6
Eating and drinking pl.	106.4	99.6	104.8	114.8
Dairies and other foods	117.2	110.5	111.0	130.2
Equipment	117.6	139.3	104.0	109.5
Building material	106.7	102.0	104.2	113.8
Hardware dealers	106.1	105.8	109.2	103.3
Farm equipment	175.0	317.2	115.0	92.9
Home equipment	104.8	104.4	95.8	114.2
Automotive stores	101.8	98.6	105.9	100.8
Automotive dealers	99.2	97.0	106.6	94.1
Service stations	105.1	104.7	103.0	107.5
Miscellaneous stores	109.1	105.9	106.8	114.5
General merchandise	118.4	120.4	106.4	128.5
Variety stores	102.8	99.2	102.6	106.7
Apparel stores	101.4	89.5	103.8	111.0
Luxury goods stores	108.9	119.1	109.1	98.5
Drug stores	103.9	106.8	101.5	103.5
Other stores	107.9	88.1	121.2	114.5

****Not including Selected Services



Figures on this page are not adjusted for seasonal changes nor for price changes. Building activity includes the effects of past as well as present building permits, on the theory that not all building is completed in the month the permit is issued. E. L. H.

VI. CITY BUSINESS INDICATORS

OCT

Percent of Same Month a Year Ago

City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	105.2	112.7	97.3	107.3	104.1	108.0	106.1	103.4	101.0
Beatrice	115.7	126.1	47.9	127.8	112.4	115.3	129.4	97.6	109.1
Omaha	99.4	112.3	74.4	101.1	97.5	99.5	103.8	72.0	99.3
Lincoln	113.5	117.0	126.5	101.9	114.8	121.4	109.2	112.9	103.7
Grand Island	111.6	113.1	69.8	105.0	116.8	124.3	125.0	98.8	- - -
Hastings	104.2	99.9	175.1	106.2	NA	NA	95.5	108.6	102.0
Fremont	106.7	112.1	67.5	109.0	98.7	NA	107.1	111.9	NA
North Platte	104.7	112.6	143.9	100.2	118.4	86.6	86.0	106.0	100.1
Kearney	119.1	139.3	180.4	111.9	119.3	126.0	77.9	108.7	NA
Scottsbluff	107.0	NA	69.5	104.3	110.8	135.8	105.9	99.6	116.0
Norfolk	NA	NA	NA	105.0	117.2	130.2	NA	NA	91.9
Columbus	113.6	115.7	167.2	113.6	115.1	118.9	110.2	101.6	99.0
McCook	105.6	102.1	134.2	98.4	109.4	151.8	NA	98.3	105.3
Sidney	120.5	110.9	214.3	104.3	143.2	139.9	108.7	110.7	NA
Alliance	93.4	90.5	165.1	108.0	93.7	81.5	80.8	119.3	75.7
Nebraska City	107.8	110.7	131.6	115.1	102.8	109.8	95.5	83.1	NA
So. Sioux City	NA	NA	NA	112.6	NA	NA	NA	NA	NA
York	100.9	109.0	53.9	103.7	100.0	129.9	105.4	94.6	90.7
Falls City	107.0	101.3	738.3	107.7	116.9	106.7	109.1	104.6	89.2
Fairbury	103.0	101.6	146.1	100.4	107.1	NA	112.8	90.4	100.3
Holdrege	114.9	102.1	130.0	101.1	118.8	136.1	66.4	122.9	115.9
Chadron	106.0	102.9	54.9	104.9	110.2	122.6	82.0	125.2	NA
Broken Bow	102.7	110.0	60.8	99.8	109.8	132.4	93.8	107.3	84.2

OCT

Percent of Preceding Month (Unadjusted)

City	City Index	Bank Debits	Building Activity	Retail Sales	Electricity Consumed	Gas Consumed	Water Pumped	Postal Receipts	Newspaper Advertising
The State	105.6	107.9	96.4	110.4	91.6	141.5	79.9	176.7	107.8
Beatrice	97.2	106.9	85.4	121.7	88.3	234.9	85.1	99.6	93.8
Omaha	104.6	106.4	98.1	106.6	97.8	122.5	95.0	112.1	107.3
Lincoln	99.0	113.4	95.4	105.2	80.3	153.3	75.9	81.9	118.1
Grand Island	105.9	107.1	96.2	104.9	105.7	141.3	92.6	107.5	- - -
Hastings	94.4	91.5	74.2	106.0	NA	NA	63.9	124.3	106.0
Fremont	109.5	110.9	114.6	118.9	103.3	NA	78.4	109.1	NA
North Platte	102.0	108.3	96.9	104.7	87.4	163.0	51.5	98.3	108.0
Kearney	106.0	128.8	88.7	104.0	97.4	182.0	67.9	116.6	NA
Scottsbluff	99.1	NA	97.6	94.3	86.0	238.3	63.0	114.9	105.5
Norfolk	NA	NA	NA	111.6	66.2	246.8	NA	NA	105.8
Columbus	110.7	107.4	117.2	109.6	78.4	179.6	71.9	113.4	112.3
McCook	104.4	109.7	230.7	101.6	83.4	362.8	NA	101.2	102.0
Sidney	104.1	102.6	111.9	97.9	76.4	332.8	49.9	122.0	NA
Alliance	99.5	93.4	94.6	112.2	87.3	155.7	34.8	138.4	97.8
Nebraska City	98.5	120.6	86.6	120.7	60.1	120.5	88.5	82.0	NA
So. Sioux City	NA	NA	NA	111.4	NA	NA	NA	NA	NA
York	102.0	100.9	127.7	116.8	72.3	187.4	79.1	99.5	90.8
Falls City	109.3	106.4	174.8	112.2	101.9	121.5	92.0	116.6	101.2
Fairbury	98.6	104.1	112.7	95.6	100.7	NA	71.8	88.7	99.4
Holdrege	113.6	101.4	127.3	125.0	81.4	275.6	49.9	116.4	111.5
Chadron	92.4	157.0	108.8	106.7	91.5	271.4	42.1	154.1	NA
Broken Bow	99.2	98.1	97.6	102.3	98.9	346.2	66.7	112.1	91.8

THE CLIMATE OF INFLATION

Christmas buying this year proceeds in a climate of inflation. This inflationary trend has now reached the point where it has become a matter of serious national concern for government officials and of everyday discussion and controversy for businessmen, workers, and consumers. Perhaps the figures in the table below will help to place the facts in perspective.

The extent of inflation is generally measured by the Consumer Price Index, shown in column 1 below. It is quite clear from these figures that the pace of inflation has been accelerating. In the three-year period 1962-65 the price rise was only 4%. In the next three years it was 10%. The percentage increase for the first nine months of this year alone was greater than for the entire period 1962-65. A long continued inflation of these proportions would be intolerable.

It is also clear from the figures in columns 2 and 3 that the inflation has been primarily in the area of services rather than commodities. Since the 1957-59 base period the percentage increase for services has been more than twice that for commodities. Within the service area the largest increase (nearly 75%) has been in the cost of medical care.

While the Consumer Price Index is widely accepted as a satisfactory measure of the general level of prices, we do not as yet have a similar generally accepted index of the general wage level.[1] Perhaps the figures most readily and promptly available for this purpose are those for average weekly earnings of nonsupervisory production workers on private payrolls outside the field of agriculture. Such workers number some 45 million and thus constitute the bulk of the labor force.

These figures are shown in columns 4, 5, and 6 below. There has been an increase of 36% in the gross weekly pay of these workers since 1962, and nearly two-thirds of this has come since 1965. After deduction for withholding and social security taxes, however, the increase is substantially smaller, and when this increase is discounted for the rise in the price level we find that 1969 is the fourth year in which there has been no increase at all in the real take-home pay of the average worker. It appears that prior to 1965 the benefits of economic growth were being shared by all segments of the economy, but that since 1965, at least with regard to labor, this has not been the case. Herein lies the basis for much of the current controversy and unrest.

[1] As to the need for such an index see Monthly Labor Review, November, 1969, pp. 48-50.

Some regard the current inflation as primarily a "cost-push" inflation and place the blame primarily on rising wages and labor costs. The figures in column 7 below provide support for this view. During the 1962-65 period of relative price stability unit labor cost in manufacturing remained constant - even fell a bit. Since 1965 the rise in unit labor costs has roughly paralleled the inflationary price trend. Whether or not this parallelism indicates a cause and effect relationship, however, and if so whether the higher labor costs brought on the higher prices or the higher prices resulted in higher wage demands remain controversial points among economists as well as laymen.

Others consider our inflation to be of the "demand-pull" type and regard expansion of the money supply and governmental fiscal policy as the prime causes. Certainly the inflationary pressures that could be generated by demands of monopolistic labor or business groups for higher wages and prices would be quite limited in the absence of monetary expansion generated or permitted by monetary and fiscal policy.

It is not correct to say that we do not know how to curb inflation. But the relative importance and desirability of fiscal and monetary policies to achieve this end are also the subject of debate and controversy among both economists and laymen. And the application of appropriate measures in either field presents the danger of overshooting the mark and producing recession and widespread unemployment.

At the Symposium on Public Policy and Economic Understanding sponsored by the American Bankers Association in Washington last month, Professor G. L. Bach of Stanford University pointed out that in our complex economy "any simplistic explanation of the impact of monetary or fiscal policy on aggregate spending seems implausible." He also emphasized that in spite of the great influence of such governmental policies "it is still the private sector - a huge three-fourths of the total economy - that largely determines whether we have prosperity or recession, falling or rising prices."

The climate of inflation is one of self-fulfilling expectations. So long as businessmen and consumers remain convinced that inflation is inevitable, they will behave in such a manner as to cause the price rise to continue. To devise and apply policies that will dissipate this climate without unduly thwarting economic growth and producing an intolerable level of unemployment is the task of monetary and fiscal statesmanship. E. S. WALLACE

PRICES, WAGES, AND LABOR COSTS, 1962-1969

	Consumer Price Index[1]			Average Weekly Earnings[2]			Unit Labor Costs in Manufacturing[1]
					Take-Home Pay[3]		
	All Items (1)	Commodities (2)	Services (3)	Gross Pay (4)	Current Dollars (5)	Constant Dollars (6)	(7)
1962	105.4	103.2	110.9	85.91	76.99	73.05	100.4
1963	106.7	104.1	113.0	88.46	78.56	73.63	99.7
1964	108.1	105.2	115.2	91.33	82.57	76.38	99.8
1965	109.9	106.4	117.8	95.06	86.30	78.53	99.1
1966	113.1	109.2	122.3	98.82	88.66	78.39	101.3
1967	116.3	111.2	127.7	101.84	90.86	78.13	106.5
1968	121.2	115.3	134.3	107.73	95.28	78.61	110.3
1969 January	124.1	117.4	139.0	110.25	96.68	77.90	112.6
April	126.4	119.3	142.0	111.75	97.82	77.39	n.a.
July	128.2	120.5	144.0	115.82	100.92	78.72	n.a.
October	129.8	122.4	146.5	116.94	101.79	78.42	n.a.

[1] 1957-59 = 100. [2] Of nonagricultural production workers on private payrolls. [3] For a family of four (worker with three dependents). n.a. - Not available.

SOURCES: Monthly Labor Review and National Industrial Conference Board.