

Summary employment and unemployment estimates

[Thousands of persons 14 years of age and over]

Employment status	July 1962	June 1962	July 1961
Total labor force, including Armed Forces.....	76,437	76,857	76,153
Civilian labor force.....	73,582	74,001	73,629
Employed.....	69,564	69,539	68,499
Agriculture.....	6,064	6,290	6,453
Nonagricultural industries.....	63,500	63,249	62,046
Unemployed.....	4,018	4,463	5,140
Seasonally adjusted unemployment rate, percent.....	5.3	5.5	6.9
Unemployed 15 weeks or longer.....	921	1,033	1,634
Unemployed 27 weeks or longer.....	576	584	1,026
Nonfarm workers or part time for economic reasons, total.....	2,674	2,630	3,011
Usually work full time.....	962	1,041	1,119
Usually work part time.....	1,712	1,589	1,892

Chairman PATMAN. Our next witness will be Dr. J. Frederick Weston, professor of economics, University of California, Los Angeles.

STATEMENT OF DR. J. FREDERICK WESTON, PROFESSOR OF ECONOMICS, UNIVERSITY OF CALIFORNIA AT LOS ANGELES

Dr. WESTON. Economic data give strong indications that the business upswing which began in February of 1961 is now tapering off.

While the effects of the steel settlement and the stock market gyrations make interpretation difficult, there is no question that the rate of increase in business activity has slowed.

Since significant segments of spending are tied to the rate of increase in general business, rather than to its absolute level, volatile segments of spending are subject to sharp declines. Thus we approach the upper levels of a business recovery substantially short of the economy's full employment potential.

The repetition of an abortive business recovery calls for immediate action to alter the impact of what I would call the fiscal choke on the economy. The strong evidence that at full employment the Federal Government would run a surplus of over \$10 billion in its administrative budget calls for counteraction.

I therefore recommend a cut in the normal corporate income tax rate by 5 percentage points, and a decrease in personal income taxes by splitting the first bracket taxable income and halving the rate. This proposal is not made to counter an incipient recession. It is made to change the fiscal structure to remove some of the barriers to full employment growth.

While some may oppose tax reductions until unmistakable evidence of a decline appears, I offer three arguments against the policy of waiting: (1) Substantial professional judgment sees a basis for immediate action. (2) Waiting would require stronger action to counter movements of greater momentum. (3) And on this point I place the greatest weight: monetary policy is relatively tight because of international balance-of-payments considerations. Therefore relative fiscal ease is required to offset relative stringency in monetary policy. If subsequent events indicated that too much fiscal ease had been pro-