capacity at that time. The world has moved on. We have developed some new synthetic fibers that do a better job than viscose rayon did. But we still have maintained some of that viscose rayon capacity in operating condition.

Now, gentlemen, where did we make a mistake? We have excess capacity here, but only because the world is moving on. We have developed something new, something better.

Dr. WESTON. Would you say that the largest proportion of existing excess capacity is represented by technological obsolescence, or even a significant portion?

Mr. ELLIS. Yes, a significant proportion is. But, gentlemen, do not use the 100 percent of capacity as your ideal operating rate. Do not assume that we always should be operating at 100 percent of capacity. We are operating at about 85. Ninety would be a good figure. If we get much above 90, we start to build more capacity.

It takes 2 years to build a large plant. Suppose we decide this year that demand for our products in 1964 will be enough to absorb more than 90 percent of our present capacity. Then we had better get started building more capacity.

Our excess capacity in this country is not very large in total. Even in the steel industry, is not some of that excess in steel in a sense a defense reserve? Suppose we got into a shooting war. Would we not need that apparent excess capacity in steel? Is not some of the other excess capacity in a sense a defense reserve?

We ought to have a little leeway in capacity, even in normal commercial operations. We do not shift easily from one item to another. We may overestimate the demand here. We may underestimate it in another product.

Representative REUSS. Would you carry this argument to the point of saying that the 17 or 20 percent of our young people around 20 years of age who are now unemployed are a necessary soil bank?

Mr. ELLIS. No. But a lot of that 17 percent are boys and girls living at home looking for summer jobs. They are not looking for full-time work. Should we reorganize the economy so that every boy who wants a job cutting grass can find it or every boy who wants a high-income job can find it before he goes back to college?

Representative REUSS. Let me say that this committee takes seriously its mandate under the Employment Act of 1946, which says that it is the goal of the United States to have maximum employment, production, and purchasing power. And this means that, to the maximum extent possible, we do try to iron out extremes in business cycle movements. This view is shared by Republicans and Democrats alike. That is why the Republicans asked for this hearing.

Mr. ELLIS. I would question that statement, gentlemen. I think you are getting on very dangerous ground if you put as your idea a smooth, steady growth with no fluctuations.

Representative REUSS. I did not say "no fluctuations."

Mr. ELLIS. That is the business cycle. Remember, gentlemen, the business decline in the spring of 1961 was the mildest we have had in this country since 1926. That was not a very serious fluctuation. Now, if you mean to eliminate things like that by pouring in massive Government spending which is financed by selling securities to the