more rapid decline in unemployment than we experienced last year.

In early 1961 we were in the position of having to recover not from one but from two recessions—for the recession of 1960 came on top of the incomplete recovery from the recession of 1957–58. There can be no doubt that impressive gains in employment and output have been made in the past year and a half. But the economy has not yet regained the reasonably full utilization of its labor and capital which it last experienced in early 1957. It is in this context that we must reexamine the means for achieving the goals of the Employment Act of 1946: "maximum employment, production, and purchasing power."

The postwar era taken as a whole has, to be sure, witnessed remarkable progress in the achievement of these goals. The worst rates of unemployment in the postwar era were about 7½ percent of the labor force, much better than the best performance of the economy in the 1931–40 decade, when the unemployment rate remained consistently above 14 percent, about twice as much as the highest postwar figure. But the record of the past 5 years—while a great improvement over the prewar era—has not matched that of the first postwar decade. From 1946 until mid-1957, full utilization of resources was the normal state of the American economy. Unemployment significantly exceeded 4 percent of the civilian labor force only about one-third of the time, principally during and immediately after the two brief recessions of 1948–49 and 1953–54. Since late 1957, unemployment has fallen below 5 percent of the labor force only briefly. It reached a peak of 7 percent in the recession of 1960–61, and has averaged 6 percent for the 5-year period. Nor has the plant and equipment capacity of American industry been fully utilized. According to one widely used measure—and I might say we are aware of the limitations of measures of capacity, particularly after reading the excellent report of this committee on the subject—manufacturing operating rates in the past 5 years have averaged 6 percentage points lower in relation to capacity than in the previous decade and have consistently remained well below the peak efficiency rates preferred by businessmen. After dropping to 77 percent at the beginning of 1961, the average operating rate rose to an estimated 87 percent in the second quarter of 1962, still several points short of preferred levels.

Our capacity to produce has continued to expand since mid-1955 by roughly 3½ percent per year, reflecting (1) a growing labor force, and (2) higher productivity stemming from improved and expanded equipment and plant, greater skill of workers and management, and technological innovations. But our actual production has grown less rapidly; at an annual rate of 2.7 percent from mid-1955 to date. Actual gross national product has not kept pace with the economy's potential: beginning with 1958, unused potential output has amounted annually to an estimated $25 to $50 billion (1961 prices). The gap between potential and actual output has narrowed from over $50 billion early in 1961 to roughly $30 billion today. But idle resources have continued to be the Nation's outstanding extravagance and inefficiency.

It is important to improve this record of recent years. Our leadership of the free world, the opportunities for our youth, the security of our aged, the mobility of our surplus farm population, the pros-