

Representative CURTIS. Let me ask this in reference to that. Incidentally, I might state that this is a theory with which many disagree and it is important to know there is this disagreement. Accepting the "gap theory" just for the sake of discussion here, it strikes me that really things are much worse off than you indicate because one of the two bases of the gap theory is unemployment figures, is that right?

Dr. HELLER. Yes.

Representative CURTIS. The unused labor force?

Dr. HELLER. Unused labor force and unused industrial capacity.

Representative CURTIS. I want to direct attention to the unused labor force because it really should not be the unemployment figure as much as it should be the percentage of the population from 14 to 65 or 14 up, which goes to make up the potential civilian labor force, am I not correct?

Dr. HELLER. Yes.

Representative CURTIS. The thing that disturbs me is that in our indicators—the ones I have here are from July, 1962—beginning in 1955, that our civilian labor force has continued to rise since World War II and it has risen during recessions along with the upturns, averaging almost around a million a year.

We see that the civilian employment has been rising, but in June—and this is the last month that I have a comparison—in June of 1962, the civilian labor force was less than June 1961. Sixty-four million in June 1962, 74.286 million in June 1961, which is not only not an increase but is a decline. If you threw that into your gap theory, I suspect your gap is widening because you would really be adding a million more people on to the unemployed rolls.

Dr. HELLER. May I comment on that comparison, Congressman Curtis?

Representative CURTIS. Yes.

Dr. HELLER. There is so much month-to-month variability in the size of the labor force that it is safest to use quarterly averages when making comparisons. During the second quarter of this year, the civilian labor force was 60,000 higher than a year earlier. Over this same period, the Armed Forces were increased by some 350,000 persons. In order to take account of this, our comparisons should be based on the total labor force, which includes the Armed Forces. The over-the-year increase is thus 410,000. Next, since April of this year, labor force estimates have been constructed using information from the 1960 Census of Population. Previously, estimating weights from the 1950 census were utilized. This change has reduced estimates of the labor force by about 210,000. Correcting for this, we find an over-the-year increase of 620,000.

This is a sizable increase, but it is still smaller than was expected on the basis of population growth and trends in labor force participation. I think there are two reasons for this shortfall. First, the retirement rate has increased, partly in response to liberalized social security benefits. Second, and more important, has been the continued slackness in the labor market. Total employment has increased by over 1¼ million in the past year, but about half of this increase has been due to recovery in manufacturing and to the rehiring of previously laid-off workers. The expansion in new job opportunities has been rather modest. In particular, employment gains in services and