

Dr. HELLER. Mr. Congressman, the increase in the gross national product has been about \$50 billion. We assume that approximately \$30 billion of that has been keeping up with the growth in the economy's potential and about \$20 billion has been a narrowing of the gap. That calculated gap of \$30 billion does not rest on the difference between the present 5.3- or 5.4-percent unemployment rate and the so-called full employment rate of 4 percent; rather it does take into account the labor force that would be drawn into the economy at full employment, of course, not with perfect accuracy.

Representative CURTIS. How can it if you use unemployment figures, because unemployment figures do not reveal these people who are not in the work force.

Dr. HELLER. On the basis of previous experience of what happens to the growth of the labor force, as the economy approaches 4 percent unemployment, one can calculate approximately the additions to the labor force that high levels of economic activity will generate.

Representative CURTIS. You don't have to use hypothetical figures. We can simply use the figures as of any month, such as the current month of 1962, or take the year 1962 and compute if there had been the usual increase in the civilian labor force. It would be only in the one area. It would be in the unemployment area which would be roughly another million people there.

That is not, in my judgment, taken into your computations on your gap theory of where you are in 1962.

Dr. HELLER. This is, I guess, a difficult point on which to establish clear understanding. I want to state just once more, first, that the differential in the labor force projection and the actual is not really a million when we take account of the 350,000 increase in the Armed Forces and the 210,000 adjustment in the labor force figures in response to the 1960 census.

Representative CURTIS. I think it is. I agree on the armed services. But again the armed services are hardly a basis of referring to the private sector.

Dr. HELLER. That takes potential labor force out of the private sector. I want to say secondly that we would not get as big an increase as \$30 billion in our total output if we were to use only the people now in the labor force. In measuring the gap, we are calculating an increment to that labor force from the sources you suggest.

Representative CURTIS. Our employment actually has increased. That part is clear. Employment has increased each year.

Dr. HELLER. That is correct.

Representative CURTIS. It has increased from 1961 to 1962. But the area where there has not been an increase has been the civilian labor force. That consists of the employed people and the unemployed people. I was at first afraid that it might be a statistical error in our computation of the unemployed because this is something that has never happened in our recent history. This is new that our civilian labor force has not been increasing. Even in the three post-World War II recessions the civilian labor force increased. You are confronted with a new phenomena of decline in the civilian labor force which to me is highly significant and must be fitted in somewhere in the gap theory because it is perhaps even more ominous than those who are listed as "unemployed." Let me go on to one other area. It