

ber and say, that is the optimum number and any number higher or lower is bad.

Representative CURTIS. This is very interesting, because there are a number of people that picked the optimum ratios of unemployment. And some of them said 4 percent. And this administration had some optimum ratios in regard to pricing and wage increases relating to a specific economic factor of productivity.

Mr. SCHULTZE. I think this is quite a different thing.

Representative CURTIS. All right. I am sure that the Council of Economic Advisers doesn't feel that there is an optimum need here, because it was never discussed in the interrogations that I have tried to make.

Well, there are ways of lowering that ratio, and those are the ways that we followed since World War II, mainly, by inflation.

Mr. SCHULTZE. I disagree, Mr. Curtis.

Representative CURTIS. Because what was followed—I am not saying it was planned—

Mr. SCHULTZE. The main way that that ratio was lowered was the increase in GNP. And the largest part of that increase was not inflation.

Representative CURTIS. I think the figures will show differently. It was around two-thirds of the reduction, considering the fact that it is in the constant dollar, and GNP is in your current dollar—I once computed it, 2 or 3 years ago, but then about two-thirds of it was the result in inflation rather than a real increase in GNP.

Mr. SCHULTZE. Certainly in the last 10 years by far the largest part of your increase in GNP has not been—

Representative CURTIS. I am talking about since World War II, since 1946.

Mr. SCHULTZE. In the immediate postwar years it was primarily inflation, but since 1948 I am certain—

Representative CURTIS. There hadn't been much decline in the ratio—the big decline was up until the heavy inflation stopped in 1951.

Mr. SCHULTZE. In 1948—it has been more than cut in half since 1948.

Representative CURTIS. I didn't accept your 1948 figure. I took the 1951 figure, which is the date of the Federal Reserve—Treasury accord—

Mr. SCHULTZE. It has been almost cut in half of that.

Representative CURTIS. Let me finish—the date of the Federal Reserve Treasury accord in effect pretty well stopped the World War II inflation. So you have to include that in that figure. But since the heavy part of the inflation, then we moved to creeping inflation, the ratio hadn't declined—

Mr. SCHULTZE. It has been cut in half.

Representative CURTIS. The big decline in the ratio since World War II came immediately after the war, and was largely the result of inflation. We can put the figures in the record, though, so that anyone reading the colloquy can look at them.

(The following table was supplied by the Bureau of the Budget for insertion at this point in the record :)