Total employment, after growing at about a 4-percent annual rate in the last half of 1965, rose at about a 2-percent rate in the first 11 months of 1966. This shift is accounted for by the exhaustion of the supply of employable labor and the flow of manpower into the armed forces. From 1961 to 1965 the 2-percent rate of increase of employment was much greater than the 1.3-percent rate of growth of population of working-force age (18 to 64 years). In 1966 the gain in employment approximated the 1.6-percent growth of this population group. Since the number of men in the labor force has recently increased little, growth of employment has been dependent in large measure on entrance of women into the labor force.

Unemployment was at a relatively low level during the year. Over 98 percent of the married men looking for work had jobs in the first 11 months of 1966 compared with 97.6 percent in 1965 and 95.4 percent in 1961. A large portion of married men out of work in 1966 could be accounted for by seasonal unemployment, those changing jobs, and those without skills or aptitudes marketable at prevailing wage rates.

Total unemployment was about 4 percent of the labor force in the first 11 months of 1966 compared with 4.6 percent in 1965 and 6.7 percent in 1961. The paradox of about one in 25 of those wanting a job being idle at a time of strong labor demand may be partially explained by minimum wage laws. Unemployment was greatest among those without skills or experience and with little education, particularly those in the 14 to 18 age group. The value of the product of many of these workers is less than the legal minimum wage, and incentives are great for firms to avoid engaging in activities for which these workers are fitted or to replace such workers through automation.

PRICES

Inflationary pressures erupted during 1966. More than half of the rise in total spending was translated into higher prices and less than half was matched by increases in goods and services. By comparison, in the previous year about 20 percent of the rise in spending resulted in higher prices, and 80 percent was matched by additional output.

Higher prices reflected primarily demands for goods and services exceeding the economy's ability to produce with the given supply of land, labor, capital, and technology. Price rises tended to be sharpest in areas where goods and services were in shortest supply relative to demand. The transfer of resources from private production to build war supplies in late 1965 and in 1966 was accomplished primarily by bidding up wages and other prices.

Prices of consumer goods moved up sharply. From late 1965 to October 1966 average consumer prices rose at a 3.7-percent annual rate after going up at a 1.3-percent rate from 1958 to the fall of 1965. The acceleration of price increases may have been even greater than implied by these figures. In the earlier period, quality improvements may not have been taken adequately into account, and the fixed market-basket approach did not allow for gains to consumers from substitute commodities. More recently, with strong demands for goods and with shortages developing, discounts have been eliminated, and there have been deteriorations in quality which may not have been recognized in computing the index.