

Now let me get back to what I think is a pretty strong case not only for deferring the tax increase, as you have indicated we can without any problem through July and maybe August and later, but keeping our options open and not being so insistent that a tax increase must come this year to be effective, perhaps January 1. No. 1, we have unemployment of 3.8 percent. No. 2, hours of work at 40.3 hours a week are lower than they have been in 6 years, indicating resilience. No. 3, the work force declined in the last 6 months, and we have an annual rate of growth of $1\frac{1}{2}$ million a year, indicating again an area of resilience.

No. 4, the plant equalization rate is now 87 percent, which is the lowest it has been since the second quarter, or at least as low as it has been at any time since the second quarter of 1964.

Then I call your attention to the rates of growth. In 1962 we had a rate of growth of 6 percent; 1963, 4 percent; 1964, 5.7 percent; 1965, 4.1 percent; and 1966, 4.1 percent. It is true that we have, of course, a much tighter labor situation than we had during most of those years. At the same time, recognizing this resilience and recognizing that we have done a lot of work in manpower training in the last few years, isn't it possible that we could have a more rapid growth rate than 4 percent in real terms, $4\frac{1}{2}$ or maybe even 5 percent without the kind of inflation which would be unacceptable.

It seems to me that this is a key question in deciding on a tax increase, because obviously if we accept all of your assumptions including the assumption that we shouldn't grow more than 4 percent, we have to buy that tax increase. If we don't take those assumptions and assume we should grow more rapidly and use more of our work force and more of our available plant facilities, it may well be that we should not have that tax increase.

Mr. ACKLEY. Mr. Chairman, you are certainly correct that there is a certain amount of slack in the economy although in some sense concealed—

Chairman PROXMIRE. An impressive slack.

Mr. ACKLEY—(continuing). by the drop in the work force and by the shortening of hours. These are reasons why it would be appropriate in the year ahead for the real growth to exceed 4 percent somewhat, and recapture some of that slack that has crept in in these months of sluggishness. But it is surely clear that the degree of slack in our economy today is very much less than in 1961. The very high rates of growth, around 5 percent, we have averaged since 1961 were possible because we were using up the very large slack that existed in 1961.

I certainly recognize that there can be some disagreement about the importance one should attach to reducing the unemployment rate, on the one hand, and, on the other hand, to the more rapid increase in prices that might accompany the effort to do so. People can differ on the importance they attach to high employment versus price stability. Our objective ought to be to try to get both progressively lower unemployment along with price stability. But I think that, given the structure of our economy and the situation of some cost-push inflation already built in—as you referred to the other day, Mr. Chairman—at this particular time a sober evaluation of these conflicting goals would suggest that we ought to be satisfied with a performance over the year ahead, which would essentially maintain the unemployment rate where it is.