And very often food prices are something very important to the housewife, so that people may form their expectations of what is to be expected of inflation generally from exaggerating the latest twist in food prices.

Still, I think that the problem I should warn about is this: If the fashionable view is correct that there is a pickup in the economy so that the GNP is growing at rates of plus $15 billion per quarter instead of the $4½ billion and the $10 billion rates just behind us, then I cannot escape the conclusion that there is a serious danger of an increase in price pressure in the nonfood items of the index. So, only if I learn from the passage of events that the rather more pessimistic estimates made by some forecasters do materialize, would I be complacent or at least nonapprehensive on the price front.

Chairman PROXMIRE. Let's see if I can get at the situation that you might envision in August of this year or later in this year, maybe even September, which might persuade us not to press for a tax increase.

No. 1, we have a situation in which, as was indicated a couple of days ago, there is a lot of resilience in the economy. We didn't have any increase at all in the employable people in the work force in the first quarter of this year. In fact, we have had a decline in the first 5 months, when we should have a normal increase of a million and a half over the year in the work force. Obviously, these are people who can come back in if necessary. We had a sharp decline in the number of hours worked down to 40.3, which is the lowest in 6 years. We have a plant utilization of 87 percent. We have had a terrific increase in capacity over the last 3 years, perhaps more than at any time in American history. So that we are prepared in terms of facilities and personnel to move ahead rather rapidly.

I think there is concealed in this 3.9 percent unemployment an opportunity to move ahead, not only in the elements I have mentioned, but also in terms of the fact that there was no productivity increase, because there had been a slowdown. As we move ahead and expand, we are going to be able to call on a lot of those resources before we get to the point where there are facility shortages and massive, significant, big manpower shortages that would put pressure on prices. This is especially impressive to me because of the apparent fact that there wasn't demand pressure in 1966, if I am not overstressing what the Bureau of Labor Statistics is telling us this morning.

Mr. SAMUELSON. I would like to register very strong agreement that we should not be overly complacent about the unemployment statistic having remained so low. Nobody had predicted that, and it seems to have come about for reasons that are still not clear. But, primarily, in my judgment, you have had a shrinkage of the marginal, labor force. I think there is a social evil, other things being equal involved in that. Youth and many groups who feel unemployment the worst are feeling this pinch.

In a sense, in a very affluent mixed economy like ours, we can sweep under the rug for a short period of time evidence of growing slack, but that doesn't mean that it isn't there and isn't costing us something. And I agree with you, it is a resource upon which we can draw. Furthermore, I think there is a hoarding of labor by corporations in a tight labor market as output goes down. We have seen this again and again in Europe. They would never dream of letting a good man go,