

likely to face a further increase in the saving rate. Rather, one would expect that the saving rate would return to its normal level, which is rather consistently lower than currently.

The CHAIRMAN. It has gone—it is going on a level of better than 7 percent all of this year, as a percent of personal income.

Mr. ACKLEY. The saving rate in the first quarter was 7.3 percent. With the revisions which were made this morning, the second quarter was 6.7 percent.

The CHAIRMAN. But ordinarily, it is less than 6 percent; is it not?

Mr. ACKLEY. I would think for the last 3 years, it has averaged just below 6 percent.

The CHAIRMAN. Just below 6. Now let us go to the unemployment rate. In the forepart of 1966, we were at about 3.9. During the latter part the rate increased gradually until we got down to about three and a half, did we not?

Mr. ACKLEY. It dipped to three and a half in November, although that was sort of a freak.

The CHAIRMAN. Maybe so, but we did actually get down to a very low rate in November.

Mr. ACKLEY. Yes, sir.

The CHAIRMAN. Now from that time until June of this year, the unemployment rate has gradually gone up, has it not?

Mr. ACKLEY. It was 3.7 in January and February, 3.6 in March, 3.7 in April, 3.8 in May 4.0 percent in June, and then dipped to 3.9 in July.

The CHAIRMAN. Is this a big enough change anywhere along the line to indicate any shift in the direction of the unemployment rate—that we would expect it to go back down—or does this indicate that it may continue to fluctuate and go up one month a little higher than the month before?

What can we predict with respect to the direction of it, on the basis of what we know about it now?

Mr. ACKLEY. The unemployment rate is a product of two things, both of which are somewhat difficult to predict.

One is, of course, employment and the other is the labor force. The labor force has been growing rapidly and undoubtedly will continue to grow, but so has been employment, and so will it.

Our judgment would be that the unemployment rate ought to be moving at least slightly downward in the year ahead, even with the tax recommendations. Without the tax recommendations, it probably would move down slightly further.

The CHAIRMAN. Mr. Ackley, is there any possibility now that the converse of what took place in 1964 might take place in 1967? With respect to employment rates and unemployment rates, if we enact this proposal? Now I remember one of the arguments made for reducing taxes in 1963 and 1964 was the rate of unemployment then in existence.

I think it has been clearly demonstrated that the tax reduction at that time played a part, at least, in bringing up our rate of employment and reducing our rate of unemployment. Now is there any fear that if we should adjust taxes upward, our unemployment rate might also go up during the remainder of this year, and in 1968?