

Chairman PROXMIRE. Is there not—behind all this—an assumption that because prices did rise sharply in the first part, first 7 or 8 months of 1966, that the scarcity of labor had a lot to do with it? And when we analyze the nature of that price increase we find it was in food, No. 1, and in services. When you look at services increase, one-third of the rise in these prices was the very sharp increase in interest rates which went up 12 percent. When you look at that and consider the experience we had in 1952 and 1953, it does raise a question that we could probably push unemployment down below 3½ percent without necessarily having a serious inflationary problem.

Secretary WIRTZ. That is my view completely and that factor was exaggerated quite seriously last year.

Chairman PROXMIRE. The CEA tells us that we are going to be at 4 percent at the end of the year, not 3½ or 3.4 or 3.3 and there would be no progress. That is the Council's position. I take it you do not agree with that.

Secretary WIRTZ. I do not know where we will be and I think I have more confidence in what can be done on the affirmative manpower side than the Council does. They have the experience lessons to support their pessimism. I think we can do a good deal more on that side. I don't know what unemployment will be at the end of this year.

But on the analysis that you made concerning the wage rate factor, I couldn't agree more.

Chairman PROXMIRE. I appreciate that a great deal.

Secretary WIRTZ. May I add in fairness, we would both recognize there was a wage factor that had to do with the very low wage industries—services, food, and some of those—in which for independent reasons, because they were low wage industries there had been a slackening, a lowness of wage which had to be corrected. That factor I think was quite real and did bear on the service and the food industries. But I think the Nation, understanding that, would agree 100 percent that we had better push those wages up.

Chairman PROXMIRE. What evidence is there to indicate or measure the success of our manpower programs such as manpower development and training, the Job Corps, the Neighborhood Youth Corps, and work experience? Can we apply PPBS analysis to this?

Secretary WIRTZ. Several ways, and none of them satisfactory. It won't surprise you that I have sometimes wondered whether the Keynesians haven't taken too much credit for the gains we have made in the unemployment situation. I rather think that the manpower programs, training programs of the Government as well as private training programs have contributed quite significantly to the reduction in unemployment in this country.

The next set of evidence has to do with the numbers who have actually gone through these programs and with their subsequent employment record. Those figures are quite encouraging, but again it is hard to settle because of the argument that things were going quite well and they would have been employed anyway. I don't know how you prove that.