gram for achieving the objectives of the Employment Act—maximum employment and production. I shall confine my comments to this central aspect of the reports, although they contain many other interesting analyses and some important proposals that deserve the serious attention of the Congress and the public.

Employment Act policy for the year can be analyzed in terms of three decisions or calculations: (1) The target unemployment rate, (2) the rise in total demand necessary to achieve it, and (3) the fiscal and monetary program designed to accomplish the needed rise in demand.

On these three things the objective of the administration's stabilization policy for 1967 is to keep the unemployment rate at about 4 percent. On the second point the Council anticipates that this can be achieved by a growth of total demand of 6½ percent, of which 2½ percent will go into price increase—as measured by the overall index, the "GNP deflator"—and 4 percent into a rise in real production. On the third point, the fiscal and monetary program of the administration is designed—given the Council's appraisal of the strengths of private demands—to bring about this 6½-percent increase of aggregate demand.

As an alumnus of the Council I would want to say that the reports reflect high technical competence and great devotion to the principles of the Employment Act. My differences with the administration's program and forecast are small—I want to say that because I don't want to overemphasize the points of difference that I will be spending most of the time on later—and they concern matters on which there is inevitable uncertainty. The Council has correctly stressed that the uncertainties of the outlook in this year in particular are very great and require an extraordinary degree of openminded flexibility in the making of economic policy.

I fear that the administration has shaded its three major decisions and calculations for 1967 all in the same direction, that is, in the direction of accepting the risk of a rise in unemployment. I am going to discuss this in terms of the three major constituents of the policy that I outlined earlier.

First, on the unemployment target itself, it is disappointing, to me anyway, that the Council and the administration have not found it possible to aim at an unemployment rate lower than 4 percent. This is the same target that was set in 1961, and carefully described then as an interim target. At that time it was hoped that the various manpower programs which were being started would diminish friction and structural unemployment, making it possible for stabilization policy to aim at a lower unemployment rate.

A year ago the Council argued that the time had indeed come. They said:

> There is strong evidence that the conditions originally set for lowering the target are in fact being met, and that the economy can operate efficiently at lower unemployment rates.

The Council listed a number of reasons for what they called "The improved ability of the economy to sustain lower unemployment without inflation." Among those reasons were the improved quality of the labor force, and the absorption of less employable workers in various manpower programs of Government and in the Armed Forces.