Chairman PROXMIRE. Mr. Goldfinger?

STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR, RESEARCH DEPARTMENT, AFL-CIO

Mr. GOLDFINGER. Thank you, Senator Proxmire, I am grateful to the committee for this opportunity to discuss with you several major economic problems.

The economic outlook for 1967 is foremost in the minds of all of us. But there are other important issues, as well—including the lack of balance that has been developing between wages and profits; the excessive emphasis that has been placed on private savings and investment by comparison with consumer purchasing power and Government investment; the apparent acceptance by the Council of Economic Advisers of a 4-percent unemployment rate as full employment; the apparent insistence of the CEA that the potential growth rate of the American economy is 4 percent per year; and the dangerous focus of an aggregate monetary policy in selectively depressing one sector of the economy.

The overall growth of the American economy during the past 3 years has renewed confidence in its ability to meet the needs of the American people. The real volume of national output has increased by more than 5½ percent annually. Employment has risen about 2½ percent per year and the rate of unemployment has dropped by eight-tenths of 1 percent per year. These are significant achievements.

Imbalances have been developing, however, which threaten to undermine the potential for sustained economic growth. For the most part, these imbalances have been the result of excessive incentives for capital goods spending, a misguided wage-price policy, and years of previous neglect of public facility and manpower needs.

Basic policy changes are necessary in these areas to assure balanced growth and a fuller use of American resources in the future. To some extent such changes have already begun. Unfortunately, however—and this is a matter of the deepest concern to the labor movement—the Council of Economic Advisers appears bent upon correcting some of the symptoms of the imbalanced development of the recent past—particularly the rise in prices—by abandoning the goal of full employment, or at least putting it in cold storage, and slowing economic growth to a rate below what the Nation's resources probably will permit.

At present, the American economy is going through adjustments, which follow:

—Tight money and the highest interest rates in 40 years, which threw residential construction into a severe recession in 1966 and affected related industries such as lumber and appliances.

—The failure of the buying power of workers' take-home pay to rise last year, which has contributed to weaknesses in consumer durables.

—The renewed increase of idle productive capacity towards the end of 1966, as large-scale instalaltions of new plants and machines added to productive capacity at a faster pace than production.

—The build-up of excessive inventories in many businesses.

These soft and weakening spots in the private economy have been somewhat more than offset, thus far, by the much sharper than ex-