

profit sharing and its relationship to incomes policy, to democratization of the ownership of industry, and to collective bargaining;
 a proposed price-wage review procedure both for immediate implementation and as an instrument of incomes policy;
 the proposed tax increase in relation to the state of the economy, inflation, monetary policy and selective credit controls;
 an employment target for 1967; and
 the proposal that the government act as "employer of last resort."

In addition, I will discuss a number of other matters—poverty, guaranteed minimum incomes, proposals to share federal revenues with the states, and Great Society goals.

THE MANDATE OF THE EMPLOYMENT ACT

In his first Economic Report in 1962, President John F. Kennedy emphasized the importance of the principles of the Employment Act, under which the Report and that of the Council of Economic Advisers were made. He said:

"My first Economic Report is an appropriate occasion to re-emphasize my dedication to the principles of the Employment Act. As a declaration of national purpose and as a recognition of Federal responsibility, the Act has few parallels in the Nation's history. In passing the Act by heavy bipartisan majorities, the Congress registered the consensus of the American people that this Nation will not countenance the suffering, frustration, and injustice of unemployment, or let the vast potential of the world's leading economy run to waste in idle manpower, silent machinery, and empty plants.

"The framers of the Employment Act were wise to choose the promotion of 'maximum employment, production, and purchasing power' as the keystone of national economic policy. They were confident that these objectives can be effectively promoted 'in a manner calculated to foster and promote free competitive enterprise and the general welfare.' They knew that our pursuit of maximum employment and production would be tempered with compassion, with justice, and with a concern for the future. But they knew also that the other standards we set for our economy are easier to meet when it is operating at capacity. A full employment economy provides opportunities for useful and satisfying work. It rewards enterprise with profit. It generates saving for the future and transforms it into productive investment. It opens doors for the unskilled and underprivileged and closes them against want and frustration. The conquest of unemployment is not the sole end of economic policy, but it is surely an indispensable beginning."

Four-percent unemployment was an interim target

The Council of Economic Advisers in its 1962 Report set 4 percent unemployment as an "interim" target, to be achieved by mid-1963. The temporary nature of this goal, however, was strongly emphasized. The Council said:

"We must not forget, however, that any practical unemployment goal is only a temporary compromise, and its attainment must never be an occasion for relaxation, but rather an incentive to search out ways to achieve a still lower rate."

Even more specifically, the Council forecast that if structural obstacles were removed, unemployment could be reduced well below 4 percent. It said:

"If we move firmly to reduce the impact of structural unemployment, we will be able to move the unemployment target steadily from 4 percent to successively lower rates."

As it turned out, the structural obstacles which so deeply concerned some economists in 1961 and 1962 proved in large part illusory. Gardner Ackley, Chairman of the Council, emphasized that point in testimony before this committee last year.

He pointed out, for example, that in 1961 there were only 160,000 technical and professional workers unemployed, yet in the four succeeding years employment of such workers increased by 1,178,000—the difference being represented by new entrants into the labor force and by formerly unemployed or employed workers who had been trained or upgraded into technical and professional jobs. Mr. Ackley continued:

"In September 1961, 25 major labor market areas had unemployment rates of 7.0 percent or more. Many seemed to be areas of permanent distress, which no amount of general prosperity could erase. By September 1965, only two areas (both in Puerto Rico) had rates in excess of seven percent. . . .

"The lesson seems clear. The millions of excess unemployed were indeed employable, and the great flexibility and mobility of our labor force, and the ingenu-