ity of our employers permitted their reemployment without severe strains or bottlenecks." [emphasis added]

The Council rejects its mandate

The structural obstacles to full employment having been to such an extent dissolved, we might have expected the Council this year to have come forward with programs designed to "move the unemployment target steadily from 4 percent to successively lower rates." Unfortunately, the Council has chosen another course. It has rejected the mandate imposed upon it by the Employment Act to "use all practicable means" to promote "maximum employment, production and purchasing power." It has done so in the face of clear evidence that the mandate is still far from having been carried out. At the end of 1966, manufacturing industry was operating, according to McGraw-Hill, at only 88 percent of capacity.[1] This compares with 89½ percent a year earlier, because capacity has grown faster than output, and was well below the preferred rate of 93 percent. There were still nearly three million unemployed, nearly two million more working only part-time for economic reasons, and an estimated 500,000 to a million "discouraged workers" who are not even counted in the labor force because they are not actively seeking work. Yet in the face of these shortfalls from the goal of "maximum employment, production and purchasing power," the Council of Economic Advisers announces that full employment has been achieved, and advises us that in the light of the programs it recommends we cannot expect any further reduction in the average unemployment rate this year.

Just to make sure that its position will be understood, the Council states it in the opening words of its Report. It commences:

"The United States in 1966 enjoyed the benefits of the fullest employment in more than a decade. The unemployment rate reached a 13-year low of 3.9 percent. At that level, demand finally matched supply in most labor markets, a situation which most economists define as essentially 'full employment'."

Subsequently, in discussing the economic outlook for 1967, the Council said:

"Finally and most important, the Nation should continue to experience substantially full employment in 1967. The unemployment rate should be essentially the same as in 1966, when it averaged 3.9 percent."

This attitude of complacent self-satisfaction must be rejected by the Congress and by the Administration. For what does it mean? If there is to be no decline in the unemployment rate, there will continue to be 1.2 million unemployed workers below the age of 25. If there is to be no drop in total unemployment, then there will continue to be 625,000 Negroes unemployed.

On the basis of the new definitions of unemployment adopted by BLS, unemployment rates in 1966 averaged 7.6 percent for Negroes, and 11.7 percent for teen-agers (aged 16–19). Similar figures based on the new definitions are not available for Negro teen-agers separately, but on the basis of the old definitions their unemployment averaged 21.2 and 31.1 percent for Negro boys and girls respectively (aged 14–19). We must put an end to the human wastage of our young people and the continuing denial of real equality of opportunity for Negroes which these figures indicate. To permit them to continue would be an act of immoral and dangerous folly. Yet if the employment forecasts of the Council are realized on the basis of the programs which the Council recommends, then there is no realistic hope that the jobless rates of either teen-agers or Negroes can be substantially reduced.

In fact, if the employment forecasts of the Council prove overoptimistic, then these groups will be among the first to suffer rising unemployment.

BALANCE OF PAYMENTS

The pressure for restrictive fiscal and monetary policies in the face of continued high unemployment and serious signs of weakness in the economy arises out of an unwarranted concern with the deficit in the balance of payments and fear that it may be worsened by inflation.

No one would be foolish enough to argue that either inflation or persistent payments deficits are desirable. But the fear of both, and the panicky retreat into repressive economic measures which it inspires, is in strange contrast to the refusal to apply more direct solutions less costly in human hardship and economic

[1] The McGraw-Hill figures are used here rather than the FRB figures used elsewhere in this statement because the McGraw-Hill utilization figure is comparable with the "preferred rate" figure.