following page shows unemployment rates, adjusted to conform to U.S. definitions of what constitutes unemployment, for seven other countries and the United States since 1959. Of the seven, only Canada has had a rate which even remotely parallels ours, and even it has been below ours for the past four years. France has had a rate below 3 percent for every year but one, when it rose to 3.1. West Germany has kept unemployment substantially below 1 percent since 1960. Unemployment in Great Britain has exceeded 3 percent in only two years out of seven. Italy has had a rate well below ours from 1960 through 1965, the latest year for which data are available. Japan has had a rate below 2 percent throughout, and at or near 1 percent for the latest four years. Sweden has also kept its rate consistently well below 2 percent. Public opinion in all of these countries would undoubtedly be shocked and revolted if it were suggested to them that 4 percent unemployment was acceptable.

Unemployment rates adjusted to U.S. definitions

[In percent]

Country	1959	1960	1961	1962	1963	1964	1965 –	1966
United States	5.5	5.6	6.7	5.6	5.7	5.2	4.6	3.9
Canada	6.0	7.0	7.2	5.9	5.5	4.7	3.9	[2] 3.7
France	2.8	2.7	2.4	2.5	3.1	2.5	2.8	(3)
West Germany	1.6	.7	.4	.4	.5	.4	.4	(3)
Great Britain	3.1	2.4	2.3	2.9	3.4	2.5	2.2	(3)
Italy	5.7	4.3	3.7	3.2	2.7	2.9	3.9	(3)
Japan	1.9	1.4	1.3	1.1	1.1	1.0	1.0	(3)
Sweden	(3)	(3)	1.5	1.5	1.7	1.6	1.2	(3)

[1] Data for countries other than United States and Canada are preliminary.
[2] Average, 11 months.
[3] Not available.

Source: Bureau of Labor Statistics; except for 1966 Canadian figure which is from Dominion Bureau of Statistics.

Because the Council calls last year's unemployment rate "substantially full employment" does not alter the fact that it is much too high and, under the mandate of the Employment Act, should be reduced. In our opinion, the Council's failure to chart a path toward a lower unemployment rate is an abdication of its primary responsibility under the Employment Act.

Monetary policy and a tax increase

Another argument advanced for a tax increase is that it would facilitate relaxation of monetary restraints. It is pointed out that the impact of tight money and high interest rates is highly uneven, with adverse effects falling most heavily on some of the nation's most urgent unmet needs. Housing, as the current depression in residential construction shows, is particularly vulnerable. The building of schools and of state and local government facilities, which are debt-financed in substantial part, is also made more costly and can be severely restricted by tight money.

While the identification of the victims of a restrictive monetary policy is accurate, the conclusion that a tax increase is the proper remedy is, to say the least, questionable. In the first place, the premise—the need for either monetary or fiscal restraint—is open to challenge so long as we remain as far from full employment as we are.

In the second place, there is no assurance that a tighter fiscal policy will lead to an easier monetary policy. The *Wall Street Journal* headline on the testimony of the Chairman of the Federal Reserve Board in these hearings said, "Easier Credit Wouldn't Necessarily Follow A Tax Boost, Martin Warns". The balance of payments might well serve as an excuse for keeping interest rates high or even raising them.

In the third place, the argument assumes that monetary policy must be used as a blunt instrument—that it cannot be applied selectively in accordance with national priorities.

In the fall of 1966, the Federal Reserve Board demonstrated that its vast powers enable it to control not only the total volume of credit but the directions in which credit flows. In the well-known letter of September 1, 1966, the presedents of the regional Federal Reserve Banks told member banks that they