

We cannot be certain, moreover, that residential construction, a major victim of 1966's credit squeeze, will return to something approximating the levels of the early years of this decade, in the second half of the year. Inevitably the largest of all unknowns is the scale of our Viet Nam operations. If peace or substantial de-escalation comes to pass, then the national argument will center upon the appropriate stimuli to aggregate demand. If further escalation occurs instead, then we shall quite probably require much larger tax increases than the six per cent surcharge sought by the President.

In so fluid an economic and political situation, forecasting is a hazardous occupation, to be approached only with trepidation and fear of error. For myself I find the *Economic Report's* forecast in the main plausible, if a bit optimistic about the behavior of investment and construction markets. Accepting with the reservation specified the *Report's* framework of expectations, I shall next address myself to two of the issues which the *Economic Report* and the President's own *Message* raise: what is an acceptable rate of unemployment, and what policies should be followed toward the structurally unemployed and the poor—two partially coincident groups.

Optimism about our recent achievement is not impossible. Indeed one supposes that in an official report it is scarcely to be avoided. In 1966 nearly two million additional men and women found jobs, the largest single year gain of the current extraordinarily long business cycle expansion. Thus it was that unemployment fluctuated between 3.7 per cent and 4.0 per cent during the year, and averaged 3.9 per cent. We have not done as well since 1953. Even the details have a cheerful ring. The half-million decline in average unemployment improved the situation of all races, every age group, and both sexes—with two exceptions only. Nonwhite females between 14 and 19 years of age, and nonwhite females over 45 years of age failed to participate in the general decline in unemployment rates. By contrast only five years ago, general unemployment was still averaging 6 per cent.

Our progress has been sufficiently substantial so that the *Economic Report* can speak of the attainment of full employment. The exact words of the claim merit quotation: "The unemployment rate reached a 13-year low of 3.9 per cent. At that level, demand finally matched supply in most labor markets, a situation which economists define as essentially 'full employment.'" Hence the *Economic Report* advocates "a concentrated attack on the causes of 'structural' unemployment in the current year. Although in the longer run, the *Economic Report* advocates "a concentrated attack on the causes of 'structural' unemployment . . . if we are to move toward continually lower unemployment while maintaining reasonable stability of prices", the writers of the *Economic Report* assert that for the time being we have reached maximum employment at tolerably stable, or, at worst, acceptably rising price levels.

With all respect to the distinguished members of my profession who are serving as members of the Council of Economic Advisers, I am constrained to make a much less optimistic judgment of our situation. I am concerned above all with the continued prevalence of high rates of unemployment among Negroes and Puerto Ricans. All the nonwhite rates of unemployment remain at levels which would define a national crisis if they applied to whites as well. For adult white males 20-44 years of age, 1966's rate of unemployment was only 2.3 per cent but for nonwhite males it was 5.3 per cent. White male teenagers suffered 9.9 per cent unemployment but the rate for nonwhite teenagers was 21.2 per cent. And 31.1 per cent of female nonwhite teenagers were unemployed. It is inadequate comfort that these rates were lower in 1966 than they were in 1965 because unless general unemployment further declines in 1967, it is unlikely that further improvement in the nonwhite unemployment situation will occur. In short the implication of general rates of unemployment consistent with the Council of Economic Advisers' present definition of full employment is painfully if not intolerably high incidence of unemployment among some age and color groups.

Worse still it is likely that high as the measured rates of nonwhite unemployment are, they still underestimate the full scope of unemployment. The *Economic Report* itself underlines this probability in these words:

"Low unemployment encourages entry into the labor force. Some people, especially women and teenagers, who would be interested in working if jobs