

were plentiful, do not actively search for jobs when they believe none are available. At such times, these persons are considered neither as employed nor unemployed, and are not counted in the labor force. When job opportunities improve, they enter the labor force, seeking and frequently finding jobs. The evidence of 1966 suggests that nearly 500,000 of 'hidden unemployed' or 'discouraged workers' entered the labor force."

The *Economic Report* then adds that "Probably, additional workers, who did not respond fully to improved job opportunities last year, will enter the labor market if it remains buoyant." However, if, as seems most probable, the decline in hidden unemployment was made possible only by a decline in general, measured rates of unemployment, then acceptance of the present level of unemployment implies a most disheartening consequence, nothing less than halting the flow into employment both of persons now officially defined as out of work and those who belong to the hidden unemployed. It would be sufficiently tragic to give up on this problem if the limitations of our national resources compelled us to do so. It is reckless as well as tragic to surrender when the means of coping with the problem are securely within our grasp.

APPROPRIATE POLICIES

There are, by official definition, 32.7 million members of the poor in the United States. Approximately three million persons are unemployed and an undetermined additional number are among the hidden unemployed.

What can we do in 1967 to assist these fellow citizens? I can summarize my own preferences under four headings:

First: In the first half of the year we should continue to ease credit and supply a modicum of fiscal stimulus to an economy which, the defense sector aside, is displaying some serious weaknesses. We should in the second half of the year raise taxes but primarily to finance at adequate levels Great Society programs and desirable further innovations which I shall specify under the third and fourth headings.

Second: We should finance at least at the levels authorized by the 89th Congress Model Cities, rent supplements, Teachers' Corps, education, and poverty programs.

Third: Whether income supplements take the shape of family support allotments or a negative income tax, we should make a start more substantial than the appointment of a Presidential Commission toward the replacement of the present patchwork of public assistance formulae by a rational and humane system of general assistance to the poor.

Fourth: We can afford at least to begin in another area, that of public service employment, with the federal government as the employer of last resort. The *Report of the National Commission on Technology, Automation and Economic Progress* estimates that \$2 billion might finance 500,000 public service jobs.

Let me offer a brief amplification of my position. It is by now generally agreed that, whatever their merits, specific programs addressed to the alleviation of structural unemployment stand a chance of success only when aggregate demand is high and the economic climate is buoyant. Certainly as I speak before you the economy seems too precariously poised on the verge of a recession which several of your witnesses believe already here either to raise taxes or reduce public spending. Whether in the second half of the year the rate of economic expansion will increase is highly conjectural. Sheer prudence implies the wisdom of the President's refusal to seek a tax increase now. Whether in July we should raise taxes does indeed depend upon the economy's condition in the middle of the year. However, it should depend still more upon the level of spending, nondefense as well as defense, that we judge nationally appropriate.

Or to put the matter in other words, the decision to alter tax rates ought to rest very substantially upon how generously we fund Great Society programs and what progress we make toward the actualization of two ideas whose time will surely come. These two ideas are, to repeat, income maintenance and residual public employment. We shall make a very grave collective error if we slow social progress in 1967 either because we exaggerate its financial cost or underestimate our capacity to meet this cost. The plight of the cities is especially difficult. From New York City downward in scale, city administrations are yearning for additional revenues which they are ill-equipped to raise by