

CONFERENCE ON ECONOMIC PROGRESS

INTRODUCTION

Once again, I am deeply appreciative of the year-by-year opportunity which the Joint Economic Committee has accorded me to comment upon the Economic Report of the President and the Annual Report of the Council of Economic Advisers.

These two Reports are essentially consistent with each other. And as the comprehensive Council's Report provides the facts and economic analysis upon which the succinct President's Report is based, I shall address most of my comments to the Council's Report. Toward the end of my statement, I shall deal briefly with the President's Report.

In commenting upon the Council's Report, I shall organize my comments under each of the five chapter headings in that Report.

CHAPTER I. EXTENDING THE RECORD OF PROSPERITY

I regard the Council's entire appraisal of current and foreseeable economic conditions as far too optimistic. Further, I find the Council's analysis weak, and its diagnoses off the mark.

Unemployment at 4 percent cannot be justified

The Report opens by hailing a full-time unemployment rate which reached a 13-year low of 3.9 percent in 1966, and described this as "essentially full-employment." The "interim" target of 4 percent which the Council set in early 1961 has thus become an ultimate goal.

I submit that unemployment in the neighborhood of 4 percent (full-time unemployment, as officially counted) is intolerably high, especially because it necessarily means a full-time unemployment rate several times as high among vulnerable groups; and especially when the enormous burdens placed upon the American economy—both international and domestic—require that we marshal fully our productive resources. Under current and foreseeable circumstances, I deem full-time unemployment somewhat below 3 percent to be consistent with maximum employment within the meaning of the Employment Act of 1946. It would be still better to set a goal of 2 percent.

Moreover, a full-time unemployment rate in the neighborhood of 4 percent means a true level of unemployment in excess of 5½ percent. This takes into account the full-time equivalent of part-time unemployment, and the concealed unemployment which results because the scarcity of job opportunity prevents many from looking actively for work, in which case they are not officially regarded as being in the civilian labor force or unemployed. I think that the goal for the true level of unemployment should be about 4 percent, and preferably about 3 percent.