The Council's 4 percent economic-growth goal is far too low

I reject entirely the Council's thesis that 1966 was "in some respect too big a year." From first to fourth quarter 1966, the annual rate of U.S. economic growth in real terms dropped sharply and dangerously to 3.3 percent, after averaging 5.1 percent in real terms during 1962–66, and even that higher rate was not sufficient to bring us even tolerably close to maximum employment and production. Consequently, I reject the Council's support of the restraining policies applied during 1966. Correspondingly, the Councils declaration of determination to prevent "any further slowdown" misses the mark. We need immediate and vigorous measures to reverse the current trend toward economic stagnation, and to accelerate greatly the rate of real economic growth.

Indeed, the Council's claims for a "remarkable uninterrupted expansion" from early 1961 to date are very excessive. After the 1960–61 recession, the upturn 1961–63 started rapidly and then slowed down greatly, and, with only timid measures of stimulation being applied, was mainly of an automatic or cyclical variety. Unemployment remained very high, and inadequate economic growth, if not stagnation, marked the second half of this period. For these reasons, and also because the massive tax reduction—the one really powerful stimulative measure applied 1961–67—was not enacted until 1964, it is excessive to claim pridefully a sustained and satisfactory 6-year economic advance from early 1961 forward.

In consequence of this massive tax reduction, the average annual growth rate during 1963–66 was very much higher than the growth rate during 1962–63, but not nearly high enough to restore maximum employment and production. And while such a potent shot in the arm as this tax reduction could not fail to stimulate the economy for a time, the erroneous nature of the diagnosis and remedy (discussed later on) led to another period of stagnation (as evidence by the very growth rate from first to fourth quarter 1966, as cited above). Increasing weaknesses have been appearing in many important sectors of the economy, and the most responsible forecasts for 1967 are not reassuring. Whether another recession is in the offing within a year or so is not yet clear, although the threat is real. Viewing the most recent 6 years as a whole, there has been no satisfactory solution of the recurrent pattern of upturns, stagnation, and recessionary dangers to which I have repeatedly called attention from 1953 forward before this committee and elsewhere.

Under these circumstances, the Council's conclusion that a 4-percent growth rate would be satisfactory and even optimum for 1967 and for the years immediately thereafter does not track at all. With productivity advancing at about 3.5 percent annually and the labor force growing at about 1.5–1.7 percent annually, we need an average annual growth rate of at least 5 percent to hold unemployment stable (we should not be misled by the concealed unemployment and the repressed productivity growth rate which result when there is excessive economic slack). And as of now, considering also the excess unemployment, we need an average annual growth rate of about 6.3 percent to restore maximum employment by early 1969.