The tolerable level of unemployment depends upon the international and domestic circumstances confronting the Nation, the impact of a given level of total unemployment upon its distribution, the social response to unemployment and a more empirical appraisal of the relationship between levels of unemployment and inflationary trends than the Council has troubed itself to undertake. By none of these tests is a 3.8-percent level of full-time unemployment tolerable now. It is not tolerable in terms of the production challenge confronting us in view of a large war and our vast unmet domestic priorities; at the peak of World War II unemployment was reduced below 1 percent. It is not tolerable because an overall full-time unemployment rate of 3.8 percent means unemployment two to three times as high among vulnerable groups such as teenagers and Negroes, and 10 or more times as high in some critical urban areas. It is not tolerable because the fair expectancy of these vulnerables means social unrest and disorder in the event of so high level of unemployment. And it is not tolerable because a 3.8-percent rate of full-time unemployment means a true unemployment rate of about 5.6 percent, taking into account the full-time equivalent of part-time unemployment, and the concealed unemployment of those who are not participating in the civilian labor forces and not counted as unemployed because the scarcity of job opportunity discourages them from actively looking for work.

The Council's attempts to explain no rise in the rate of full-time unemployment during 1967, despite an economic growth rate in real terms of only 2½ percent, by noticing the decline in working hours and in the rate of productivity growth (p. 51). This correlation is indeed a said confession, for (as will be shown) the sharply declining rate of productivity growth, and to a degree the shortening of hours, in 1967 were attributable to the abysmally low rate of economic growth. Meanwhile, the declining rate of productivity growth (as will be shown) contributed to the inflationary pressures which may inhibit real economic growth. The shortening of hours contributed to a diminution of total labor input which is not revealed by measurement of full-time unemployment, and also contributed to the inadequate expansion of consumer buying power and consumption which in turn inhibited real economic growth in 1967 and will continue to do so in 1968.

In other words, while we can all be glad that full-time unemployment did not grow in 1967, it is running around in a circle to be complacent in the face of the interrelated factors of a low rate of economic growth, a shortening of hours, a sharply declining rate of productivity growth, and the mere stabilization of the unemployment rate (see again my chart 1).

CEA's neglect of problem of economic equilibrium

The shortcomings in the Council's approach to the problems of economic growth and unemployment are particularly disturbing, because in none of its report thus far has the Council undertaken a really penetrating analysis of why we have not been able to obtain economic equilibrium at maximum resource use, maximum employment, and maximum economic growth. This failure to maintain the