

The only way to employ more people, whatever may be the reasons for their unemployment, is to spend money to employ them. And spending money to employ the unemployed increases pro tanto the volume of production and the GNP. Thus, the finding of the civil disorders report that we must drive unemployment sharply downward is equivalent to the finding that we must substantially accelerate the rate of economic growth, far beyond the level forecast and espoused by the Council of Economic Advisers. But, responsive to the advice of the Council, the five priorities of action cited by the President do not even mention the task of accelerating economic growth.

The first-ordered priority of the President is that "first and foremost, we must take the necessary steps to put our fiscal affairs in order." There is nothing wrong with our fiscal affairs, except as an indication of the state of our economic affairs. If the Federal budget deficit has become too large, this is mainly in consequence of the drastic economic slowdown during 1966-67, with slight prospect of complete economic restoration in 1968. And the only way to reduce that budget deficit, without damaging the economy, is through a vigorous speedup of the rate of economic growth. Thus, the focus of the President's report upon reducing the budget deficit per se, rather than upon reducing the deficit of excessive idleness of plant and manpower in the American economy, reflects abandonment by the Council itself of what used to be regarded as the hallmark of the "new economics."

The third-ordered priority of the President's report is that "we must push forward vigorously to restore equilibrium in our international accounts." For reasons which I have stated fully in the body of my analysis, this, on all economic and social scores, should be a low priority indeed, compared with the problem of economic growth and employment. Here again, the upsidedown priorities of the Council have unfortunately led the President into serious error.

The fourth- and fifth-ordered priorities of the President's report are to "deal more effectively with our urban problems," and to "continue the struggle to expand the opportunities available to every citizen." These are assuredly top-priority objectives. But they are not sufficiently implemented either by the analysis or the programs offered, and indeed cannot be adequately implemented without prime reliance upon maximum employment and optimum economic growth.

It is always an interesting question whether the Council is restrained by the independently arrived at views of the President, or whether the President is restrained by the advice he received from the Council. Based upon my experience and observation, I believe the latter dominantly to be the case now. I believe that the Council this year has fallen down on its job, and thus has done a disservice to the President, all of whose impulses and instincts and motivations would move him in the right direction if the Council, in economic terms, helped more to point the way.