

the Chairman of the Council of Economic Advisers, to continue studies begun under the previous administration to make sure that the needed plans are ready, and an interagency study group has been established to consider this matter.

1. What are reasonable projections of the course of Vietnam spending as this conflict starts to be resolved?

2. What will be the differential adjustment problems then posed for different areas, industries, and labor-force groups?

3. What policies and programs will contribute to a smooth transition for the economy and for these different parts of the economy?

4. How should the resulting room in the budget be divided among claimants?

We must never be satisfied with any level of unemployment, and this emphasizes the need to push on with specific measures to reduce the normal level of unemployment and its concentration. A great many programs to do this have been initiated, and they have apparently worked with different degrees of success. The administration is actively engaged in evaluating these and considering new possibilities. We at the Council regard this as a matter of great urgency, as the next great challenge flowing from the Employment Act in the present stage of development of fiscal and monetary policies. Since the Secretary of Labor will come before your committee later, we shall not pursue these matters in detail here.

We do, however, want to make one further comment. If something is deemed to be socially desirable, things will usually work out better if incentives are arranged so that this is also in the interest of the people themselves. As you know, the administration is intensely interested in the use of tax incentives to promote the training and employment of hard-to-place workers. Well-designed tax incentives could have the advantage of placing workers directly into the economic system—which is, of course, a powerful machine for training and employing people—rather than into Government programs, with all the problems of management they entail. We should be able to use tax incentives to promote objectives of highest present priority while clearing the tax structure of special privileges that no longer serve an important social objective.

The rapid flowering of new manpower training programs in recent years, mainly financed and planned from Washington but run locally, has created an unmanageable system. It is difficult to assure that the policies determined by Congress and the administration are being carried out, that all categories of needs are being met, and that duplication is being avoided. The Department of Labor, in consultation with other agencies affected, both Federal and State, is now making plans for improving the administration of the manpower programs.

The Secretary of Labor is also examining possible improvements of the unemployment compensation system, including ways to reduce the obstacle the system now places in some States to retraining the unemployed. Other related efforts are being directed to improvement of the employment service and to the development of statistics on job vacancies which can be used as a guide for national manpower policy.

What we have to report to you in this area is only a beginning, but we want you to know that we give the subject the highest priority, and we intend to pursue it actively.