contained without sacrificing the high level of employment that is required if we are to attain a measurable degree of success in attacking the problem of poverty. I might say that I recognize as an economist that that is a bold statement. But I believe there is a lot of evidence to support it.

And I rest for the moment on three principal points. The first one is that this administration, as Dr. McCracken indicated to you on Monday, will work to reduce inflationary pressures gradually, not abruptly.

It seems to me we can say that what we would like to do is turn the 1960 to 1964 period around. At that time, as you know, the effort was to bring unemployment down in a gradual manner while not having a sharp increase in prices. And that was achieved. Now we find ourselves with rapidly rising price level and low unemployment. It seems to me our approach should be to top out this rate of increase in prices and get it turned around and pointed down again, and at the same time try to maintain the low level of unemployment. And in a sense the earlier experience, I think, suggests that this approach of gradualism, mildness, but steadiness has some chance of working.

The second point is in a sense an analytical one about the nature of the economy and how it has developed. A growing proportion of workers are now employed in industries that generally do not lay people off as soon as a slackening in demand occurs. Here I point to the well-known fact that the so-called service producing sector—trade, transportation, utilities, finance, services, and government—is more stable insofar as employment is concerned than the goods producing sector—manufacturing, mining, and construction.

Thus, in 1950, 59 out of a hundred jobs outside of agriculture were in the service industries. Ten years later 62 out of a hundred, and today 65 out of a hundred. By 1975 it will be 68 out of a hundred. So a very large proportion of the new jobs as well as existing jobs are in this sector.

I think chart 2 brings out rather dramatically the meaning of this insofar as our chances of dampening inflation without having the rise in unemployment is concerned.

Secretary SHULTZ. You can see on the top line what has happened during four post-war recessions in the goods producing industries. In 1948–49 there was a decline in employment of around 7 percent there. Meanwhile the service industries actually grew a bit in employment. And you can follow that across the chart.

The second line on this chart or box is that a share of service industries in total employment—you can see how that is increasing.

Then there is a hypothetical calculation in the bottom box, in effect projecting the 1968 and then the 1975 proportions of services and goods industries into the average decline in employment for these four periods, showing the difference that it makes.

So as an analytical point we have a shift in composition of the economy toward more stability in the private sector. This stable base, I think, gives us some hope that the kind of outcome that we seek can be attained.

Third, I point to the increased variety and growing quantitative importance of policy instruments available, in addition to the traditional tools of fiscal and monetary policy.