

I am going to concentrate in my remarks, as you would expect, on the labor market and manpower area. But I would like to take note of the fact in passing that there are a great number of other matters of direct economic policy that are important here. I mention particularly the antitrust field and the international trade field as important ones.

On the manpower side there are three particular things, it seems to me, to note as policy considerations in the solution of this problem. The first is that with the present unemployment, even though it is low, there are great disparities in the unemployment rate by groups of people. So one thing that manpower policy can do is work directly in those areas where you have exceedingly high unemployment. That is target No. 1.

Second, it is possible to direct these policies toward areas where we have special shortages and try to build up our supply of labor in these shortage areas to cool things down.

And third, we can direct our efforts toward improving the quality of performance of the labor market as a market, and thereby reduce somewhat the unemployment experience.

So these three things, I think, in the manpower area can be helpful as matters of general economic policy.

I might just note in passing that Government manpower policy, from my observation, has an influence that is not limited simply to what happens in Government programs. There seems to have been a kind of rippling effect in industry. We see a lot of companies, for example, doing things about the disadvantaged unemployed on their own. This reflects their own feeling, but it also represents, I believe, the influence of Government programs.

I don't wish to exaggerate the role that the Department manpower programs can play. Obviously, they require a considerable period of time to become effective, and alone they would prove powerless to curb inflation. But together with an effective use of fiscal and monetary policy, I think the manpower programs can help make possible a gradual transition to a significantly lower rate of price inflation, while maintaining a high employment economy.

Mr. Chairman, I would like to turn to a brief review of some recent developments. I am trying to refrain from a description of statistics here, and will pick out a few points that seem to me of special importance as we analyze the current situation and try to devise our policies to meet it.

First, I will turn to the area of employment and unemployment. The first point that I would make is that when you look at what has happened since mid-1965, a rather stunning fact emerges: the great impact of the military buildup. We estimate that nearly 2.5 million individuals since mid-1965 have been added to employment either in the Armed Forces or in defense-related activities in this period. That is 85 percent of the increase in male employment. So we have had a big buildup here.

Looking at it from the point of view of the inflation problem, we see that there has been a big increase of people in employment. They are receiving income from that employment and are able to demand civilian goods for that income. But the nature of their employment means that they aren't contributing anything to the production of