

Paul McCracken, confessed that "I cannot honestly say we can slow down the rate of inflation without some effect on unemployment."⁶³

While both statements are vague, there is substantial dissent even from this implied trade off. There are those who never find any attained unemployment rate too low. They may concede the abstract or theoretical possibility of too low a rate, but somehow never find one in practice. The most conspicuous example of this attitude is, of course, organized labor. But there are others. Witness the following from the recently retired Secretary of Labor, written at a time when the unemployment rate was 3.3 percent:

"This country is playing today with the dynamite notion that it will 'risk a little increased unemployment' in order to 'cure inflation.' That won't work. * * * The 'trade off' idea—that inflation can be traded off for some unemployment—may satisfy economic theory. It ignores social reality."⁶⁴

Here we have an official of the administration that set the 4-percent target arguing against a move toward it from a substantially lower, and palpably inflationary, level. Apparently he rejects restraint on inflation that involves an increase of unemployment from any attained level, whatever it may be. Since we have had serious and accelerating inflation under the labor market conditions prevailing when the statement was made (in 1968 nearly 4 percent a year by the GNP deflator, 4.7 percent by the Consumer Price Index) this is a recipe for inflation without term or limit.

A. THE SLUM UNEMPLOYMENT PROBLEM

It turns out that the "social reality" to which Secretary Wirtz referred is unemployment in the slums:

"Whatever success there has been in getting the 'hard core unemployed' into jobs has resulted essentially from there being jobs these people could go into *without displacing other people*. If 'cooling off the economy' means—and it does—that the economy would be slowed down so that a quarter of a million to a million people would have to be laid off, there would be just two possibilities. One would be that several hundred thousand people who were the 'hard core disadvantaged' would be put out of work. The other would be that several hundred thousand people who would otherwise be employed would be laid off to protect the employment of the 'hard core disadvantaged' group. It is clear from the record that neither group would take it. * * * The measures by which unemployment has been reduced among those who are poor and those who are black * * * will make *any* significant increase in unemployment not just a misfortune but a disaster."⁶⁵

According to this view, we are locked into a low overall unemployment rate because of the urban slum problem, and must sacrifice all other national values to its continuance. Since the idea has gained a considerable following of late it deserves at least brief attention. We confine ourselves to four main points.

⁶³ Pressed for the unemployment rate he would accept, he declined to name one, but said in reply to a question that 6 percent was too high.

⁶⁴ *Annual Report of the Secretary of Labor, 1968*, pp. 31–32 (mimeo). (Italic in the original.)

⁶⁵ *Ibid.*, pp. 31–32.