point rise in unemployment as a result of such a slowdown has frequently been used. Of course, no one can know whether it would stop there. But even a rise of only 1 percentage point would mean that over 750,000 people would lose their jobs. A disproportionately high percentage of them would be Negroes and other disadvantaged groups who have just recently found their way out of the ranks of the hard-core unemployed and, as they were last in, would be first out when lay-offs occur. Not only would they feel thwarted and frustrated in their legitimate aspirations, but feelings of insecurity and alienation from the white world would undoubtedly extend to those of their fellows, still employed, who could not help but wonder if they might be next.

If we are to avoid such serious consequences, it is imperative that we keep the economy running as close as possible to full employment—and by full employment we mean, not the 4-percent unemployment rate that condemns 3 million people to involuntary idleness, but a genuine condition of full employment where there is a job available for every person able and willing to work—male or female, old or young, black, white, brown, or yellow.

THE ECONOMY IS SLOWING DOWN NOW

It is important to emphasize the undesirable consequences of a slowdown in the economy because, in fact, it is already slowing down. GNP at constant prices, increased by 1.6 percent in the first quarter of 1968, by 1.5 percent in the second quarter, by 1.3 percent in the third quarter of 1968, and by only 0.9 percent in the fourth quarter of the year. Personal consumption expenditures, after an increase of 2.5 percent in the third quarter, rose by less than 1 percent in the fourth quarter. This slowdown is a direct and intended result of Government fiscal policy, notably the cut in Federal spending and the imposition of a 10-percent income surtax. It is true that the slowdown in consumer spending did not take place as quickly as had been anticipated, in large part due to an unusually high savings rate which consumers chose to reduce before cutting into spending. However, that is a process that cannot continue indefinitely, because much of consumer saving is in the form of contractual savings—mortgage payments, insurance, installment payments, etc.—which are in large part outside the discretion of the saver.

This is not to say that inflation is not a problem. Clearly it is. The CPI since December 1965 has risen at an annual rate of 3.7 percent, and the rise has continued to accelerate in the most recent period. While the worst sufferers have been those with fixed money incomes, workers who were unable to negotiate adjustments in their wages with sufficient rapidity or frequency have suffered also. Workers as a group have seen their buying power also eroded in the past 3 years. Expressed in constant dollars of 1957–59 buying power, spendable (after-tax) weekly wages in manufacturing for a worker with three dependents amounted to $89.19 in December 1968, as compared to $89.75 in December 1965. They had dropped to as low as $86.07 in July 1967. Thus these workers and their families as a group have had no share in the advancing productivity of the national economy for the past 3 years.

We are deeply concerned about inflation that thus deprives working people of their share of national progress. But we are also deeply concerned about proposals which we do not believe will control infla-