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# EMPLOYMENT AND UNEMPLOYMENT

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HEARINGS  
BEFORE THE  
SUBCOMMITTEE ON ECONOMIC STATISTICS  
OF THE  
JOINT ECONOMIC COMMITTEE  
CONGRESS OF THE UNITED STATES  
EIGHTY-SEVENTH CONGRESS  
FIRST SESSION  
PURSUANT TO  
**Sec. 5 (a) of Public Law 304**  
**79TH CONGRESS**

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DECEMBER 18, 19, 20, 1961

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# EMPLOYMENT AND UNEMPLOYMENT

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MONDAY, DECEMBER 18, 1961

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMIC STATISTICS  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The Subcommittee on Economic Statistics of the Joint Economic Committee met, pursuant to notice, at 10:10 a.m., in room 4221, New Senate Office Building, Senator William Proxmire (chairman of the subcommittee) presiding.

Present: Senator Proxmire and Representative Widnall.

Also present: Richard J. Barber, clerk, and James W. Knowles, staff economist.

Senator PROXMIRE. The subcommittee will come to order.

This morning, the Subcommittee on Economic Statistics begins 3 days of public hearings on employment and unemployment. The hearings are designed to answer three questions, particularly:

(1) Are our statistics on employment and unemployment adequate to the Nation's needs in concept, coverage, consistency, accuracy, and amount of detail? Are there legitimate criticisms which call for remedial action and, if so, what are they?

(2) Has the exceptionally high rate of unemployment, which has equaled or exceeded 5 percent since November 1957, been the result largely of structural changes which will make it a slow and difficult task to reduce unemployment to, say, 4 percent, or has the persistence of this high rate of unemployment been the result of inadequate aggregate demand?

(3) What are the implications of the answers to the first two questions for the choice of policies, public and private, over the coming year or two?

## TWO BACKGROUND PAPERS PREPARED

As background for these hearings, the subcommittee published two volumes of study papers, bearing on various factual aspects of these questions, one volume entitled "Unemployment: Terminology, Measurement, and Analysis," which was prepared by manpower experts in the Bureau of Labor Statistics, and the second volume made available is a staff study of the alternative explanation of recent higher unemployment rates under the title, "Higher Unemployment Rates, 1957-60: Structural Transformation or Inadequate Demand."

During these 3 days the subcommittee will hear from representatives of Government agencies, labor, business, and various users of labor force data, as well as a panel of experts from universities.

A schedule of the witnesses has been issued.

Senator PROXMIRE. The first witness is Dr. Ewan Clague, Commissioner of Labor Statistics.

Mr. Arthur Goldberg, Secretary of Labor, was invited to appear this morning, but was unable to do so because of other commitments. His letter is as follows, and I am going to read his letter because it relates to the testimony of Dr. Clague, in authorizing him to speak for the Secretary of Labor.

This is dated November 22 and is as follows:

U.S. DEPARTMENT OF LABOR,  
OFFICE OF THE SECRETARY,  
Washington, November 22, 1961.

DEAR SENATOR: This is in reply to your recent letter asking me to appear before the Subcommittee on Economic Statistics on December 18.

I want to thank you very much for the invitation which you have extended to me. Unfortunately, on that date I have the honor to represent the President of the United States at the independence ceremonies of Niger. Hence I will be unable to be present before the subcommittee when it starts its most important hearings on unemployment statistics.

I am designating Commissioner Ewan Clague, who has also been invited to testify before your committee, to represent the Department at these hearings. Mr. Clague and his staff have my complete confidence in developing and analyzing the statistics on employment and unemployment. I am sure, therefore, that Mr. Clague will be able to answer your questions and to give an effective presentation on my behalf.

As you know, the President has appointed, upon my advice, a special committee of experts to review the whole field of employment statistics. I am sure this committee will be greatly aided by the hearings which you are conducting. It will, moreover, have the benefit of the Joint Economic Committee's own views of these statistics and the careful scrutiny of your most competent staff.

I intend to follow your December proceedings with great interest.

Yours sincerely,

(Signed) ARTHUR J. GOLDBERG,  
Secretary of Labor.

Dr. Clague, we are delighted to see you here so promptly, and we are pleased to welcome you again to our deliberations.

You may proceed with your statement anyway you wish. I understand it is agreeable to you that you will highlight your statement and go through it just as you wish, and we will put the whole body of the statement in the record.

Would you identify your colleagues for the record also, at this point.

**STATEMENT OF EWAN CLAGUE, COMMISSIONER OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR; ACCOMPANIED BY GERTRUDE BANCROFT, ROBERT L. STEIN, AND JOSEPH ZEISEL, BUREAU OF LABOR STATISTICS, U.S. DEPARTMENT OF LABOR**

Mr. CLAGUE. Yes, Mr. Chairman.

On my left is Miss Gertrude Bancroft; she is the person in our Bureau of Labor Statistics in general charge of this work; on my right is Mr. Robert Stein, who works on Miss Bancroft's staff; and Mr. Joseph Zeisel, who also works in that group.

I brought them along so that they might answer some of your detailed questions in case you got into the——

Senator PROXMIRE. The last gentleman you introduced, his name again, sir?

Mr. CLAGUE. Joseph Zeisel.

Senator PROXMIRE. How do you spell that?

Mr. CLAGUE. Z-e-i-s-e-l.

Senator PROXMIRE. And he is the last man at the table?

Mr. CLAGUE. At my right.

Senator PROXMIRE. Good.

Mr. CLAGUE. There are some others in the audience whom I will call on if necessary.

Senator PROXMIRE. Thank you.

Mr. CLAGUE. Mr. Chairman, I welcome your permission to proceed with this paper in such a way that I can highlight parts of it, and then pay more attention to the details.

About two-thirds of my paper, the first two-thirds of it, relate to your first question on the adequacy of the statistics.

I think you and the committee are quite familiar with a good deal of that. I shall touch on each point as I go through, but it will save time if I do not read it.

Then I will devote the major part of my time to the second and third questions.

#### DISCUSSES ADEQUACY OF STATISTICS

I shall begin by talking on the adequacy of statistics. I mention the coverage. I think I need say only at that point that we do have not only the household survey to which I am going to devote my attention here today, but we also have the reports from employers to the Federal-State employment statistics systems covering wages, hours, and earnings.

We also have the records of the unemployment insurance system, which give us the insured unemployed. So when we analyze these data we do have more than our household survey to rely on; we can relate these to each other.

Senator PROXMIRE. May I ask you at this point: Would you prefer to complete your statement before I ask questions?

Mr. CLAGUE. No, by no means. Perhaps it would be helpful if you asked at this point.

Senator PROXMIRE. Let me ask you, What do you do when you find a current conflict—what do you do, for example, when you find your household survey does not seem to agree with these other sources?

Mr. CLAGUE. What we do is try to find out, we try to analyze, what are the reasons why they do not agree, assuming that there seems to be a divergent movement.

Many times we can account for it by looking into the details of the figures.

For example, there might be some factor which would affect farm employment in the household survey, which we use for that measurement, yet when we look at the employment reports from the employers in manufacturing and nonmanufacturing industries, we would find that they were not affected by it. Consequently, we could have a situation in which the household survey total employment, let us say, went down, when the manufacturing employment and nonmanufacturing employment went up, and that might be due to the agricultural factor.

So there may be others that we would—

Senator PROXMIRE. Have you on specific occasions found that your household survey has been in error and made corrections to amend whatever the difficulty was?

Mr. CLAGUE. We did not—no. We have not found that the household survey would be in error—we would not be able from the data that came in to correct that. But in the interpretation by which we were able to explain what has happened over the month, or over the year, in interpreting that, we would put out an interpretation which gave more weight to one or the other, or we would explain some erratic factor which might have affected the figures.

Senator PROXMIRE. So it cannot be said, however—this was the implication of your initial remarks, and I want to get this as precise and as accurate as I can—if the household survey were wrong, were in error or, at least, were inconsistent, that is, if a new error developed that had not developed before, you would not be able to perceive it, based on these additional reports that you had, you would not be able to make corrections or, at least, you have no history of having made corrections of this kind; is this correct?

Mr. CLAGUE. That is correct. The household survey has its own margin of error which I explain here a little later.

Senator PROXMIRE. I understand.

Mr. CLAGUE. But we have no independent way of rechecking that. We have had certain occasions when that varied in such a way that we needed to investigate it, and I will mention one of them a little later.

But mostly the words or key words you have used are "consistency," or "inconsistency."

We use all these different sets of figures to give us what we would consider as a balanced interpretation of the whole situation.

Sometimes we would put more weight on the employment statistics from our employer reports in interpreting what actually happened during the last month than we put on the household survey, let us say. For example, we know that Hurricane Carla influenced the survey figures in September, but we cannot say how much.

Senator PROXMIRE. All right, sir.

Mr. CLAGUE. Now, I mention the concept of unemployment. Of course, employment and unemployment and the labor force, as a whole, which is the combination of the two, all have to be taken together.

A great many people, in commenting on these figures, look to the unemployment only. But one has to look at the entire operation to see—and the relationship between these figures to see—what we are doing.

#### HISTORY OF HOUSEHOLD SURVEY

I might mention at this point a bit of history to show how this household system arose.

You may recall, Mr. Chairman, that back in the 1930's, the Federal Government announced the policy of assuming the responsibility for jobs for the employable unemployed, while it returned to the States and localities the unemployable needy. Under that system, the WPA program in the middle 1930's set in motion work programs that were designed to furnish jobs for the unemployed.

We had no unemployment statistics at that time. There were only guesses as to how many people were out of work. The result was that a census was actually tried in 1937, at the invitation of the President of the United States; persons were asked to voluntarily register as unemployed in order that the Government could find out what the



scope of the unemployment problem was that required Government work programs.

Well, of course, taking a census only gave us the figures for a given period of time. As months went by, and years went by, there would be changes. So it was out of that situation, in order to find out about how the unemployment problem was developing, that this household survey was set up; and it has been operated on that basis ever since.

Then in 1946, the Employment Act formalized the Federal responsibility for providing jobs for the unemployed and, therefore, again, there was need of this kind of a measure, and that has been what has been continued down to date.

This means, therefore, that our concentration is on the question of who has a job, who does not have a job, and who is out of the labor force.

I would like to mention one other point. There is no necessary connection between the unemployment figures and need.

This is one of the criticisms we frequently get. It is assumed by many people that all those who are out of work, as shown by our figures, are in need.

Now, there are some people who are unemployed who are not necessarily in need at all. They have plenty of money to support themselves.

Conversely, you can find some people who are employed and who are not earning enough to support their families. So that the relationship between unemployment and need is only a rough correlation and not very exact.

Of course, you can infer need from the unemployment situation. If unemployment lasts very long, most families experiencing it would eventually be in need. But over short periods of time this connection is very loose and only approximate. We like to emphasize that point because it is so frequently misinterpreted.

I discuss the consistency of the unemployment statistics. We have been charged with making changes that would expand the number of unemployed by changes in definitions or in schedule design and so on.

#### ONE DEFINITION CHANGE MADE

I emphasize that we did make one change in definition, and I would like to explain it clearly.

In January 1957 we shifted one group from the employed to the unemployed. Those were persons who were on temporary layoff. An employer lays a man off and says, "report back to me in a couple of weeks; perhaps we will be able to take you back on."

Or a person looking for a job, an unemployed person, interviews an employer who says, "Come in the first of the month; perhaps we will have something then"—in fact, he might make it stronger, "We expect to start up again about that time."

Prior to January 1957 we listed them as employed on the ground they had a job, at least in prospect. In January 1957 we made a change, shifting them to the unemployed. There were several reasons for that. You can argue this question both ways.

They may not be looking for work very actively at the moment, since one of them assumes he is going to be called back, and the other one assumes that a job is going to be available on the first of the month, the first of the next month.

On the contrary, when the new month arrives, when the period is over, we often find out that the call-back man simply gets another statement, "Well, I am sorry, we are not opening up yet. Come back again next month." Or the promised job does not develop. It turns out that they did not start up on the first of the month.

Senator PROXMIRE. How many are involved in this?

Mr. CLAGUE. At the time we made this shift there were about a quarter of a million, about 250,000, who were shifted from the employed category to the unemployed.

At present, we still think it is more realistic to treat them the way we now treat them, although you could treat this class of workers either way.

Senator PROXMIRE. How large do you estimate this is now, about the same or a little larger?

Mr. CLAGUE. I will ask Miss Bancroft or Mr. Stein.

Mr. STEIN. The latest estimate we have is 200,000 in November.

Senator PROXMIRE. 200,000; in other words, it is less than it was then.

Is there any dispute on this? Do you any of you find—are you aware of any criticism that it is bigger, that the people argue that it is larger than this, the people who have jobs assured or at least they have a promised—

Mr. CLAGUE. No. I think the argument does not relate to the size of it. The criticism would relate more to the argument that we made the shift, that we transferred an employment group to the unemployed, and so expanded the number of unemployed.

However, I want to emphasize that we did recalculate the figures clear back into the past, so that we do have the data since January 1947 on the new basis.

Senator PROXMIRE. You corrected the figures as they appear, for example, in the Economic Indicators? Would they reflect that?

Mr. CLAGUE. Yes.

Senator PROXMIRE. You would; I see.

Mr. CLAGUE. Yes.

Senator PROXMIRE. Thank you.

Mr. CLAGUE. So that one can always argue and, I suppose, some people will, that we should list that group in the employed.

#### SHIFT IN SCHEDULE DESIGN

Now I mention the schedule design. That is another point that has been made against us, that we changed the questions to some extent in July 1945. But again that has been a public misunderstanding.

The effect of that shift of questions was to take some of the unemployed out of the unemployed group and put them into the part-time employed. The change was to find out about small amounts of work that people were doing. We list as employed anybody who has any work at all during the month. So that a person might be a nine-tenths unemployed, and yet be listed in the employed group.

Therefore, the change, in effect, did not engineer any upward change in the unemployment figures.

Senator PROXMIRE. Let me ask you: This is during the month, not during the week in which the household survey is being conducted?

Mr. CLAGUE. I am sorry, my answer should have been "within the week." Anybody who has within the week any hours of paid work would be listed as employed.

Senator PROXMIRE. This is true if the man who worked the first 2 days of the week or the first day of the week, and then had been discharged, fired, or laid off, under any circumstances, he still is employed as far as the statistics are concerned?

Mr. CLAGUE. That is correct. You have a good example there. If he was working on Monday and lost the job Monday evening and was out of work the rest of the week—

Senator PROXMIRE. No matter how actively he was seeking a job, he is considered employed?

Mr. CLAGUE. He is considered employed, because he had some work during the week.

Senator PROXMIRE. Do you have any estimate of how large this group might be?

Mr. CLAGUE. Mr. Stein.

Mr. STEIN. We do have an estimate. There are about 1 million workers who normally work full time who have been cut back to part time.

Senator PROXMIRE. Well, that would be a little different.

Mr. STEIN. It is not precisely the same.

Senator PROXMIRE. I see. Well, I presume it would be a smaller, much smaller, figure than that.

Mr. STEIN. No doubt. Most of these people expect to return to full-time work.

Senator PROXMIRE. I would be delighted to yield to Mr. Widnall.

#### ROLE OF DOUBLE EMPLOYMENT

Representative WIDNALL. What records do you have of double employment?

Mr. CLAGUE. Two jobs?

Representative WIDNALL. Yes. The purpose of the question is that just this past weekend somebody said to me, "In my plant, one little section of the plant, there are 14 people working full time in this section; 8 of them hold two 8-hour jobs."

Mr. CLAGUE. Yes. First of all, let me say that Miss Bancroft, on my left, here, has turned in a paper to you, Senator, on your question about part-time employment and overtime employment.

I shall ask her to talk, first, to the general question of multiple jobholding, and then, second, say some word about her paper.

Miss BANCROFT. We have made four or five studies of multiple jobholding, in which we have asked the people in the sample whether they had more than one job and what the second job was. We have never seen that this has amounted to very much, no matter what time of the year we have taken the survey.

It usually amounts to about 5 percent of the employed, and a great deal of this is in self-employment; for example, as between agriculture and nonagriculture, a man may have his own small farm and also hold a nonfarm wage job.

I think our latest measure shows about 3 million persons holding two or more jobs.

Representative WIDNALL. I have run into this a number of times. I know there is a Ford plant in my district, and when they are working full time at the Ford plant a number of those workers work weekends at gas stations and other places like that, supplementing their income.

I just wonder whether this actually shows and whether or not they are not actually taking away jobs from other people who need the jobs much more than they do?

Miss BANCROFT. To the best of our ability we have, as I say, tried to measure this, and it has never seemed to be a very large number of persons, nor has it seemed to be growing over the past few years.

Representative WIDNALL. If you say it is 5 percent of the employed, that is just what we count as unemployed.

Miss BANCROFT. Well, most of the jobs, or at least many of the jobs, are these small business jobs which men and women—mostly men—hold; they work on them at night or on the weekends.

Many of them are, as I say, in farming; and it is unlikely that they would offer much opportunity for unemployed people.

Representative WIDNALL. Did you say you had prepared a paper that we have here?

Miss BANCROFT. Not on the subject of dual jobholding, but on the problem of part-time employment.

Mr. CLAGUE. May I answer the question a little further? In our last tabulation in which we prepared and published the material that Miss Bancroft is talking about, we did show the cross-classification of the basic job that the person held, as contrasted with the part-time or secondary job that he held. In those data you can see in considerable detail what the original job was, in what industry it existed, and where the secondary job was.

What Miss Bancroft has emphasized is that quite a large number of these secondary jobs are highly personal jobs, which would not be found on a regular payroll. A worker may be earning money on the side by something he is doing himself.

On the other hand, there are, of course, undoubtedly cases in which persons working in your Ford plant, for example, would take a weekend job at something else, especially if it is in a summer resort or in a gas station, part-time jobs. But we have considerable detail published on that subject, a good deal is available about the pattern of this double jobholding.

Representative WIDNALL. It is very interesting in observing some of this that they will hold a union job and a nonunion job.

Mr. CLAGUE. Yes, very likely.

Representative WIDNALL. They are neither fish nor fowl.

Mr. CLAGUE. I was going to say that these second jobs might be nonunion, they might be part-time and casual jobs.

Miss BANCROFT. On the average, these dual jobholders work only 11 hours on the second jobs, so there are not great numbers of them holding two full-time jobs.

Senator PROXMIRE. Do you have any figures on the amount that they earn in the second job?

Miss BANCROFT. No, we do not.

Senator PROXMIRE. I see. You do say that a large number of them, however, are farmers—

Miss BANCROFT. Yes.

Senator PROXMIRE (continuing). Who work at a second job to supplement their income.

I should think it would be a very large proportion, if the total number is 5 percent because, it seems to me, that a study in Wisconsin indicated that some 40 percent of our farmers who are full-time farmers, have jobs off the farm, and I know from my own association with farmers in Wisconsin, and I have talked to thousands of them literally, that many of them do have jobs; they have to have jobs today to provide any kind of decent living for their families.

So I would think this would be a very large proportion of your whole problem, if this is true throughout the country, and I would think it might be.

Miss BANCROFT. We can supply those figures. I just do not have them here.

Senator PROXMIRE. They would be very helpful. Will you do that for the record; break it down?

Mr. CLAGUE. Yes.

(The information referred to follows:)

The attached report, "Multiple Jobholders in December 1960," by Jacob Schiffman, Bureau of Labor Statistics, shows in table 1, page 2, the number of persons holding two or more jobs and the type of jobs held. A total of 3 million persons held more than 1 job in December 1960. About 1¼ million held more than 1 wage and salary job, and about 1¼ million combined some form of self-employment with a wage or salary job. Included in the 3 million total were about 600,000 farmers, who were also working for pay in a nonfarm job; some 400,000 of them worked most of the week in their nonfarm job in December.

The same report contains a brief discussion of the question of double jobholding and the unemployed.

[From the Monthly Labor Review, October 1961, preprint No. 2373, U.S. Department of Labor, Bureau of Labor Statistics]

#### SPECIAL LABOR FORCE REPORT NO. 18

EDITOR'S NOTE.—Other articles in this series cover such subjects as the work experience of the population, the marital and family characteristics of workers, and the employment of high school graduates, and include the annual report on the labor force. Reprints of all articles in the series, including in those cases additional detailed tables and an explanatory note, are available upon request to the Bureau or to any of its regional offices (listed on the inside front cover of this issue).

#### MULTIPLE JOBHOLDERS IN DECEMBER 1960

(Jacob Schiffman\*)

Recent high levels of unemployment have given rise to an increased interest in the number and work activity of persons holding more than one job. Many unemployed persons question someone's holding more than one job while millions cannot find work. Other interested groups, many of whom also disapprove of dual jobholding, are employers, who often feel that the job performance of their employees suffers when they take an outside job, and union representatives, who generally believe that a worker should be paid enough on his regular job so that he will not have to seek additional sources of income. Moreover, some union officials hold that multiple jobholders often are not sufficiently concerned about maintaining either wage levels or union membership.

\*Of the Division of Manpower and Employment Statistics, Bureau of Labor Statistics.

The following analysis<sup>1</sup> will provide a basis for appraising some of the ideas commonly held on dual jobholders by presenting information on their characteristics, the occupations and industries in which they are employed, and recent trends in the numbers of such workers. It also covers data gathered for the first time on their work schedules and gives more detailed information on their hours of work.

A total of 3 million persons held more than 1 job in December 1960, representing 4.6 percent of all persons employed (table 1). This dual-job count included about 1¼ million workers with more than 1 wage or salary job during the week and a relatively large number of about 1¼ million persons who—contrary to the popular conception of moonlighters—combined some form of self-employment and a wage or salary job.<sup>2</sup> Counted in the group with more than one employer are such persons as the factory operative who works evenings in a drugstore, the postal clerk who works his off hours at a gasoline station, and the office secretary who has a weekend job in a department store. The second group includes such persons as the factory operative who repairs watches or TV sets at home, the schoolteacher who tutors privately, and the farmer who has a spare job driving the local school bus. About one-half of these persons were farmers on their self-employed job; most of the remainder consisted of proprietors, professionals, and a small number of craftsmen. For two-thirds of the self-employed group, self-employment was the secondary rather than the primary job, i.e., the one at which they worked the longest number of hours.

Holding two jobs is presumably more feasible for persons who are their own boss on one job; they can more easily adjust their hours of self-employment to the schedule of their wage or salary job, and another family member may assume some of the duties and responsibilities at their farm or business during their absence. The large number of farmers among dual jobholders is probably associated with the small cash income of many marginal farmers and the opportunities for better paying jobs in nearby industrialized areas. As the agricultural sector of the economy declines in importance and farmers take on non-farm jobs, many prefer to continue living on their farms, operating them at a reduced level. More than one-third of all employed persons living on farms, including single and dual jobholders, had primary jobs in nonagricultural industries in December 1960.

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<sup>1</sup> The analysis is based primarily on information from supplementary questions in the December 1960 monthly survey of the labor force, conducted for the Bureau of Labor Statistics by the Bureau of the Census, through its Current Population Survey. The data relate to the week of Dec. 4 through 10.

An article based on a similar survey in 1959 was issued as Special Labor Force Report No. 9 and appeared in the October 1960 issue of the Monthly Labor Review (pp. 1045-1051). Earlier surveys on multiple jobholders have been summarized by the Bureau of the Census in Current Population Reports, Series P-50, Nos. 30, 74, 80, and 88 and in Series P-S, No. 21. The 1958 survey was also analyzed in the July 1959 issue of the Review (pp. 769-771).

<sup>2</sup> Also counted in the survey were a small number of persons with a primary job (the one at which they worked the longest number of hours during the survey week) in unpaid family work and a secondary wage or salary job. Persons who worked for more than one private family (as a maid, laundress, babysitter, odd-job worker, etc.) but held no other job during the week were counted as having only one job.

Only about 70,000 persons with more than 1 job had changed from one job to the other during the survey week. Also, few jobholders can be presumed to have had three or more jobs at the same time; information for December 1959 showed that an estimated 80,000 persons out of a total of 3 million multiple jobholders had 3 or more jobs.

TABLE 1.—Type of industry and class of worker of primary and secondary jobs for persons with 2 or more jobs, December 1960

[Workers in thousands]

Industry and class of worker of primary job	Total employed	Total persons with 2 or more jobs		Industry and class of worker of secondary job					
		Number	Percent of total employed	Agriculture			Nonagricultural industries		
				Total	Wage and salary workers	Self-employed workers	Total	Wage and salary workers	Self-employed workers
Total.....	66,009	3,012	4.6	587	135	452	2,425	2,025	400
Agriculture.....	4,950	332	6.7	138	98	40	194	193	1
Wage and salary workers.....	1,454	97	6.7	81	41	40	16	15	1
Self-employed workers.....	2,736	208	7.6	51	51	(1)	157	157	(1)
Unpaid family workers.....	759	27	3.6	6	6	(2)	21	21	(2)
Nonagricultural industries.....	61,059	2,680	4.4	449	37	412	2,231	1,832	399
Wage and salary workers.....	53,847	2,489	4.6	443	31	412	2,046	1,647	399
Self-employed workers.....	6,576	184	2.8	6	6	(1)	178	178	(1)
Unpaid family workers.....	636	7	1.1			(2)	7	7	(2)

<sup>1</sup> Self-employed persons with a secondary farm or business, but no wage or salary job, were not counted as multiple jobholders.

<sup>2</sup> Persons whose primary job was as an unpaid family worker were counted as multiple jobholders only if they also held a wage or salary job.

NOTE.—Because of rounding, sums of individual items may not equal totals.

## STABILITY IN DUAL JOBHOLDING

One of the more important findings of recent multiple jobholding surveys has been the comparative stability during the past 5 years in both the number of dual jobholders and the rate of dual jobholding<sup>2</sup> despite changing economic conditions (table 2). Some decline has occurred in the number of farm jobs reported by dual jobholders—reflecting in part the shifting of the survey in 1959 from July to December—but the number of nonfarm jobs held by dual jobholders has shown little change. Neither the number of nonfarm jobs of multiple jobholders nor the overall rate of multiple jobholding has shown any consistent relationship to the marked changes in unemployment in recent years. For example, between July of 1957 and 1958, when the rate of unemployment (unadjusted for seasonality) rose sharply from 4.3 percent to 7.5 percent, the dual jobholding rate and the number of nonfarm jobs of dual jobholders declined somewhat. However, between December 1959 and December 1960, another period of rising unemployment rates (5.2 percent to 6.4 percent), the dual jobholding rates and the number of nonfarm jobs held by multiple jobholders remained unchanged.

Steadiness in multiple jobholding has also been evident in dual jobholding rates of wage and salary workers in individual nonfarm industries (table 3). Even among workers in manufacturing, who are particularly affected by changes in economic conditions, the proportion having two or more jobs has changed very little in recent years.

## INDUSTRY

Wage earners most likely to have a second job in December 1960 were those employed in the Postal Service and other public administration, entertainment and recreation, educational services, farming, construction, and forestry, fisheries, and mining. These include workers in industries with high as well as low earnings and job security. While need for supplementary income is probably one of the primary reasons why persons take second jobs, the frequency of dual jobholding depends to a large extent on particular circumstances in each industry. Wage and salary workers in farming and construction often have to work for several employers during the course of a week in order to obtain a full week's work. Similarly, persons in the entertainment industry are likely to have several engagements during the week. The high rate of dual jobholding among teachers is probably associated with the comparatively small number of hours of actual teaching, the ability to use their skills and education in other jobs, the shortage of teachers, and aspirations for a standard of living in keeping with their professional status. The dual job count of teachers also reflects the inclusion of those who worked for more than one school or school system and were thus reported as having more than one job.

The high rates of dual jobholding among postal workers (11 percent) and others employed in public administration (7 percent)—which includes such occupations as firemen, policemen, and guards—may result from the scheduling of their principal jobs and the greater convenience with which they can arrange for a second job during off hours. Professional workers in public administration may also find more opportunities for additional employment because of their skills and experience.

Although the practice of moonlighting is commonly associated with factory workers, relatively few of them (4 percent) had more than one job in December 1960 and only a very small proportion of dual jobholders had their extra jobs in factories. Although 22 percent of all dual jobholders had primary wage or salary jobs in manufacturing, only 7 percent had secondary jobs in this industry, which provides little opportunity for part-time work. The number of persons with two jobs both in manufacturing was particularly small—only 80,000, or about one-eighth of the 650,000 wage and salary factory workers with a second job; nearly one-fourth were farmers on the side and about half of them had additional jobs as wage or salary workers in trade and service or operated their own business.

<sup>2</sup> The number of persons with two or more jobs as a percent of the number employed.



TABLE 2.—*Type of industry and class of worker of primary and secondary jobs for persons with 2 or more jobs,<sup>1</sup> 1956-60*

[Numbers in thousands]

Industry and class of worker	December 1960 <sup>2</sup>	December 1959	July 1958	July 1957	July 1956
Primary job:					
Number.....	3,012	2,966	3,099	3,570	3,653
Percent of total employed.....	4.6	4.5	4.8	5.3	5.5
Agriculture.....	332	321	629	858	866
Wage and salary workers.....	97	104	264	285	295
Self-employed workers.....	208	199	264	385	402
Unpaid family workers.....	27	18	101	188	169
Nonagricultural industries.....	2,680	2,645	2,470	2,712	2,787
Wage and salary workers.....	2,489	2,451	2,257	2,447	2,569
Self-employed workers.....	184	182	198	237	200
Unpaid family workers.....	7	12	15	28	18
Secondary job.....	3,012	2,966	3,099	3,570	3,653
Agriculture.....	587	649	850	1,035	1,111
Wage and salary workers.....	135	130	362	506	495
Self-employed workers.....	452	519	488	529	626
Nonagricultural industries.....	2,425	2,317	2,249	2,535	2,542
Wage and salary workers.....	2,025	1,907	1,905	2,187	2,202
Self-employed workers.....	400	410	344	348	340

<sup>1</sup> Self-employed persons and unpaid family workers with a secondary farm or business were not counted as multiple jobholders. Also excluded were persons whose only additional job was in unpaid family work.

<sup>2</sup> Data for 1960 include Alaska and Hawaii.

NOTE.—Because of rounding, sums of individual items may not equal totals.

The availability of part-time work in trade and service industries accounts for the large proportion of dual jobholders with secondary jobs in these industries. Over half of all the secondary jobs in December 1960 were in trade or service, 44 percent were in wage and salary jobs, and 11 percent in self-employment.

#### PERSONAL CHARACTERISTICS

A much higher proportion of men than women hold additional jobs. About 6 percent of all employed men had two or more jobs in December 1960 compared with only 2 percent of the women. Married men accounted for three-fourths of all multiple jobholders in December, although they comprised only about one-half of all employed persons, and their rate of dual jobholding (6.5 percent) was considerably higher than that for single men (3.5 percent) or for men who were widowed, divorced, or separated (3.9 percent). The greater financial responsibility of married men was also reflected in the relatively high dual jobholding rate for men from 20 to 54 years of age.<sup>4</sup> The proportion of employed women with more than one job varied little with respect to either marital status or age.

About the same proportion of white and nonwhite workers, both men and women, had two or more jobs in December. However, nonwhite men in agriculture were more likely to hold two or more jobs than were white men, while the opposite was true in nonagricultural industries.

#### OCCUPATION

Farmers and professional and technical workers are two-job holders to a greater extent than persons employed in other major occupation groups (table 4). About 8 percent of the farmers and 7 percent of the professional and technical workers had a second job in December 1960. One-fourth of all multiple jobholders were in these two major occupation groups, compared with fewer than one-sixth of the workers with one job. Other workers with high rates of dual jobholding included protective service workers, farm laborers, and drivers and deliverymen.

<sup>4</sup> Previous surveys taken in July showed that teenage boys had the highest rate of dual jobholding at that time. However, the rate probably reflected a fairly large number of teenagers who were changing summer jobs during the survey week rather than holding two jobs simultaneously.

TABLE 3.—Industry and class of worker of persons with 2 or more jobs, 1957-60

Industry group and class of worker	Persons with 2 or more jobs					
	Percent distribution, December 1960 <sup>1</sup>		As percent of all employed persons in industry of primary job			
	Primary job	Secondary job	December 1960 <sup>1</sup>	December 1959	July 1958	July 1957
All Industries.....	100.0	100.0	4.6	4.5	4.8	5.3
Agriculture.....	11.0	19.5	6.7	6.7	9.3	11.0
Wage and salary workers.....	3.2	4.5	6.7	7.7	13.2	12.1
Self-employed workers.....	6.9	15.0	7.6	7.2	8.1	10.7
Unpaid family workers.....	.9	( <sup>2</sup> )	3.6	2.5	6.9	10.0
Nonagricultural industries.....	89.0	80.5	4.4	4.3	4.2	4.6
Wage and salary workers.....	82.6	67.2	4.6	4.6	4.4	4.7
Forestry, fisheries, and mining.....	1.0	.4	5.6	7.7	5.4	6.7
Construction.....	6.2	4.0	5.6	5.7	6.6	5.9
Manufacturing.....	21.7	7.3	4.0	4.3	3.9	4.3
Durable goods.....	13.1	2.9	4.4	5.0	4.1	4.2
Nondurable goods.....	8.6	4.3	3.6	3.4	3.7	4.3
Transportation and public utilities.....	7.3	5.5	4.8	4.4	4.2	4.2
Wholesale and retail trade.....	13.7	16.6	3.9	3.2	3.9	3.9
Wholesale.....	3.6	1.4	4.9	3.8	4.5	4.1
Retail.....	10.1	15.2	3.6	3.0	3.7	3.8
Eating and drinking places.....	2.4	3.2	4.6	1.6	3.0	3.2
Other retail trade.....	7.7	12.1	3.4	3.3	3.9	4.0
Service and finance.....	24.4	27.0	4.8	4.6	3.9	4.6
Finance, insurance, and real estate.....	3.7	4.5	4.2	3.8	3.3	4.5
Business and repair services.....	1.9	2.5	5.0	4.2	5.3	4.7
Private households.....	1.3	3.0	1.6	2.1	1.4	2.3
Personal services, except private household.....	1.0	1.5	2.1	2.6	2.4	4.0
Entertainment and recreation.....	1.2	3.7	8.8	7.5	10.5	9.7
Educational services.....	9.3	4.9	8.2	7.0	5.9	6.1
Professional services, except education.....	5.9	7.0	4.7	5.2	3.9	4.7
Public administration.....	8.4	6.4	7.7	8.6	7.1	8.4
Postal service.....	2.1	1.2	10.8	12.6	8.6	9.6
Other public administration.....	6.3	5.2	7.0	7.6	6.8	8.2
Self-employed workers.....	6.1	13.3	2.8	2.8	3.1	3.7
Unpaid family workers.....	.2	( <sup>2</sup> )	1.1	2.0	2.2	3.0

<sup>1</sup> Data for 1960 include Alaska and Hawaii.<sup>2</sup> Persons whose only extra job was as an unpaid family worker were not counted as multiple jobholders.

NOTE.—Because of rounding, sums of individual items may not equal totals.

In virtually all occupational groups, men had considerably higher rates of dual jobholding than women. For example, in clerical occupations, which include postal workers as well as a great variety of office workers, 7.5 percent of the men were multiple jobholders compared with only 1.6 percent of the women. Among teachers below the college level, the rates for men and women were 23.5 and 2.5 percent, respectively.

The occupational distribution of secondary jobs held by dual jobholders differed in several important respects from that of their primary jobs. About twice as many multiple jobholders were farmers on their second job as were farmers on their principal job. Similarly, more dual jobholders had extra jobs in sales and service work, where opportunities for part-time employment are good, than had their main jobs in these occupations. On the other hand, substantially fewer dual jobholders were clerical workers, craftsmen, or operatives on their second jobs. About one-third as many multiple jobholders were elementary and high school teachers on their secondary as on their primary jobs.

Relatively few (30 percent) of the 3 million dual jobholders in December had two jobs in the same major occupation groups. In only two of these groups, professional and technical workers and farm laborers, were as many as one-half of the workers employed in the same broad occupation. Nevertheless, white-collar workers tended to have their second jobs in the same or another white-collar occupation, and manual workers, both farm and nonfarm, usually remained in this type of work. Approximately four-fifths of all professional and technical workers and three-fifths of all managers and proprietors, clerical workers, and sales workers had their extra jobs in some white-collar occupation. About 4 out of 5 dual jobholding male teachers below the college level had their second jobs in a white-collar occupation. Craftsmen, operatives, and nonfarm laborers tended to work in their own major occupation or as farmers, and farmers worked for the most part as farm or nonfarm laborers or as operatives.<sup>5</sup> Out of every 10 service workers (excluding private households), 4 were employed in the same occupational group on their second job and 1 was a private household worker.

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<sup>5</sup> By definition, farmers who were self-employed on a secondary farm or nonfarm job were not counted as multiple jobholders.

TABLE 4.—Occupational distribution of persons with 1 job only and of persons with 2 or more jobs, and rate of multiple job holding by occupation and sex, December 1960

Occupation group	Percent distribution			Persons with 2 or more jobs as percent of all employed persons in occupation group of primary job		
	Persons with 1 job only	Persons with 2 or more jobs		Both sexes	Male	Female
		Primary job	Secondary job			
All occupations.....	100.0	100.0	100.0	4.6	5.9	2.0
Professional, technical, and kindred workers.....	11.5	18.5	17.7	7.2	8.9	3.9
Medical and other health workers.....	2.0	1.9	1.7	4.2	5.9	3.0
Teachers, except college.....	2.5	5.1	1.9	8.9	23.5	2.5
Other professional, technical, and kindred workers.....	6.9	11.5	14.1	7.3	7.4	6.9
Farmers and farm managers.....	4.0	7.0	14.5	7.8	7.9	4.7
Managers, officials, and proprietors, except farm.....	11.1	9.6	9.5	3.9	4.4	1.3
Clerical and kindred workers.....	15.0	11.2	7.1	3.5	7.5	1.6
Sales workers.....	7.3	6.3	10.0	4.0	4.8	2.8
Retail trade.....	4.4	3.1	5.5	3.2	4.6	2.4
Other sales workers.....	2.9	3.2	4.5	5.1	4.9	6.8
Craftsmen, foremen, and kindred workers.....	12.4	13.5	7.9	5.0	5.1	1.7
Carpenters and construction craftsmen <sup>1</sup> .....	3.5	4.2	3.2	5.3	5.3	( <sup>2</sup> )
Mechanics and repairmen.....	3.0	3.6	2.4	5.4	5.5	-----
Other craftsmen, foremen, and kindred workers <sup>3</sup> .....	5.9	5.8	2.3	4.5	4.7	1.5
Operatives and kindred workers.....	17.7	15.0	12.1	3.9	5.1	.7
Drivers and deliverymen.....	3.5	4.5	5.1	5.8	5.9	-----
Other operatives and kindred workers.....	14.2	10.5	7.0	3.4	4.9	.7
Private household workers.....	3.7	1.2	2.0	1.5	-----	1.5
Service workers, except private household.....	9.4	9.1	10.4	4.4	6.6	2.5
Protective service workers.....	1.1	2.2	1.5	8.8	8.9	7.7
Waiters, cooks, and bartenders.....	2.5	1.9	2.9	3.5	5.0	2.9
Other service workers.....	5.8	5.0	6.1	3.9	6.1	2.3
Farm laborers and foremen.....	2.8	3.7	4.0	5.8	6.8	3.2
Laborers, except farm and mine.....	5.1	4.8	4.8	4.4	4.5	-----

<sup>1</sup> Figures published for December 1959 on persons with 2 or more jobs as percent of all employed persons should be corrected as follows: 6.2 percent for both sexes and 6.2 percent for males.

<sup>2</sup> Percent not shown where base is less than 100,000.

<sup>3</sup> Figures published for December 1959 on persons with 2 or more jobs as percent of all employed persons should be corrected as follows: 4.6 percent for both sexes, 4.8 percent for males, and 0.6 percent for females.

NOTE.—Because of rounding, sums of individual items may not equal totals.

## HOURS OF WORK

Most dual jobholders work full time (35 hours or more) on one job and part time on another. Nearly two-thirds of all multiple jobholders at work on both jobs during the survey week fell within this category (table 5). Most of the others worked part time on both jobs, and only a few (6 percent) worked full time on two jobs. Less than one-fourth of the men but more than one-half of the women worked part time on both jobs. It is not surprising that the men worked longer hours, since nearly 90 percent of the male dual jobholders were married men with heavier financial responsibilities. Multiple jobholders were most likely to have full-time jobs if their primary wage and salary jobs were in manufacturing, transportation and public utilities, and public administration. Full-time jobs were less common for dual jobholders in trade and service—a larger proportion (one-fourth) of whom were women—and for workers in construction (an industry with a characteristically short workweek). Combinations of two part-time jobs were most common in agriculture.

As one would expect, the hours worked by multiple jobholders were considerably longer than those for persons with only one job. Nearly three-fourths of the dual jobholders worked more than 40 hours during the survey week, compared with less than one-third of the workers with one job. The differences in hours worked were greatest for wage and salary workers in manufacturing, transportation, and public administration. About four-fifths of the dual jobholders with a primary job in manufacturing worked over 40 hours, as against only about one-fifth of the factory workers with a single job. The difference in hours worked was much less for farmers and nonfarm proprietors, because they typically work long hours even when they have only one job.

TABLE 5.—Persons at work on 2 or more jobs by full-time and part-time status, and median hours worked, by major industry group, December 1960

Industry and class of worker	Distribution of persons at work on both jobs, by full-time and part-time status, <sup>1</sup> by industry of primary job				Median hours		
	Total	Full time on both jobs	Full time on primary job, part time on secondary job	Part time on both jobs	On both jobs, <sup>2</sup> by industry of primary job	On secondary job	
						By industry of primary job	By industry of secondary job
All industries.....	100.0	6.1	64.9	29.0	50	11	11
Agriculture <sup>3</sup> .....	100.0	7.9	43.2	49.0	(4) 46	(4) 13	11
Wage and salary workers.....	(4)						9
Self-employed workers.....	100.0	12.3	47.7	40.0	52	14	11
Nonagricultural industries.....	100.0	5.9	67.4	26.7	50	10	11
Wage and salary workers <sup>4</sup> .....	100.0	5.9	67.8	26.3	50	11	11
Construction.....	100.0	2.3	62.1	35.6	46	10	(4)
Manufacturing.....	100.0	7.6	74.3	18.0	52	12	14
Durable goods.....	100.0	9.6	74.1	16.3	53	12	(4)
Nondurable goods.....	100.0	4.9	74.6	20.5	50	11	11
Transportation and public utilities.....	100.0	4.9	73.2	21.9	52	12	15
Wholesale and retail trade.....	100.0	4.7	57.9	37.4	47	10	13
Service and finance.....	100.0	5.3	63.0	31.7	48	9	7
Public administration.....	100.0	8.0	78.7	13.3	55	13	10
Self-employed and unpaid family workers.....	100.0	6.1	62.8	31.1	53	8	11

<sup>1</sup> Workweeks of 35 hours or more were counted as full time; those of less than 35 hours, as part time.

<sup>2</sup> Includes dual jobholders not at work on secondary job.

<sup>3</sup> Includes a small number of persons who were unpaid family workers on their primary jobs, not shown separately.

<sup>4</sup> Percent and median hours not shown where base is less than 100,000.

<sup>5</sup> Includes a small number of workers in forestry, fisheries, and mining, not shown separately.

<sup>6</sup> Relates only to persons who are self-employed on secondary jobs. Persons whose only additional job was in unpaid family work were not counted as multiple jobholders.

NOTE.—Because of rounding, sums of individual items may not equal totals.

The average (median) number of hours worked by dual jobholders was 50 hours on both jobs and 11 hours on secondary jobs.<sup>6</sup> The average for both jobs ranged from 52 to 55 hours for workers with primary wage and salary jobs in manufacturing, transportation, and public administration. It ranged from 46 to 48 hours for workers in trade, service, and construction, who had shorter hours on both their primary and secondary jobs.

Workers with secondary wage and salary jobs in manufacturing averaged 14 hours on these jobs, and in transportation, 15 hours. At the other extreme, workers with additional jobs in service industries averaged only 7 hours at these jobs. The number of hours worked in supplementary employment differed little by occupation of second job, except for longer hours for operatives (15), most of whom were probably in manufacturing, and shorter hours for professional and technical workers (7). Men at work on two jobs averaged 11 hours on their second job, compared with 7 hours for women.

#### WORK SCHEDULE OF SECONDARY JOB

Information on the work schedules of secondary jobs held by dual jobholders was collected for the first time in the December 1960 survey. One of the principal findings was that most dual jobholders are not "moonlighters" on their spare jobs. In response to a question on whether the hours worked on the second job were "mostly at night, on weekends, or during weekday working hours," only 34 percent of the dual jobholders were reported as working mostly at night; the largest proportion—42 percent—worked on second jobs mostly during weekday working hours and 24 percent worked primarily on weekends<sup>7</sup> (table 6). The proportion working at night was highest (about two-fifths) among wage and salary workers with secondary jobs in trade, service, and public administration, where there are opportunities for nightwork in retail stores, hotels, recreational establishments, postal service, government protective services, etc., and among nonfarm self-employed, who have considerable flexibility in hours of work. Fewer than a third of the secondary jobs in manufacturing were at night; half of them were during weekday work hours. Night schedules were even less frequent and weekday working hours more common in agriculture, where work has to be done during the daylight hours, and in transportation and public utilities. As might be expected, weekend jobs were most frequent in trade and service industries.

Data on occupation and work schedules of secondary jobs also showed that nightwork was more common and work during weekday working hours less frequent in occupations closely related to service, trade, and public administration than in occupations more allied to manufacturing, transportation, and agriculture. Thus there was more nightwork and less work during weekday working hours in white-collar occupations as a group (professional, managerial, and clerical and sales jobs) than in blue-collar occupations (craftsmen, operatives, and nonfarm laborers) or than among farmers and farm laborers.

<sup>6</sup> Data on median hours of secondary jobs refer to dual jobholders at work on primary and secondary jobs; data on median hours on both jobs also include dual jobholders who were absent all week from their secondary job.

<sup>7</sup> Nightwork refers to work done primarily between the hours of 6 p.m. and 6 a.m. on Monday through Friday. Weekday working hours relate to those between 6 a.m. and 6 p.m. on Monday through Friday. Weekend work includes work done on Saturday or Sunday, whether at night or during the day.

TABLE 6.—*Work schedule on secondary job<sup>1</sup> by industry and class of worker of secondary job for persons at work on 2 or more jobs, December 1960*

[Percent distribution]

Industry and class of worker of secondary job	Total at work on 2 or more jobs	Work schedule on secondary job <sup>1</sup>		
		Mostly at night	Mostly on weekends	Mostly during week-day working hours
All industries.....	100.0	33.7	24.0	42.3
Agriculture.....	100.0	16.7	22.9	60.4
Wage and salary workers.....	100.0	.9	11.2	87.9
Self-employed workers.....	100.0	21.3	26.3	52.4
Nonagricultural industries.....	100.0	37.9	24.1	38.0
Wage and salary workers <sup>2</sup> .....	100.0	37.3	23.7	39.0
Construction.....	( <sup>3</sup> )	-----	-----	-----
Manufacturing.....	100.0	31.0	20.5	48.5
Durable goods.....	( <sup>3</sup> )	-----	-----	-----
Nondurable goods.....	100.0	33.3	20.4	46.3
Transportation and public utilities.....	100.0	13.6	18.6	67.9
Wholesale and retail trade.....	100.0	42.3	28.8	29.0
Wholesale.....	( <sup>3</sup> )	-----	-----	-----
Retail.....	100.0	45.0	30.3	24.7
Service and finance.....	100.0	41.0	25.4	33.6
Private households.....	( <sup>3</sup> )	-----	-----	-----
Educational services.....	100.0	60.9	13.5	25.6
Other service and finance.....	100.0	39.2	30.1	30.7
Public administration.....	100.0	44.7	11.8	43.4
Postal service.....	( <sup>3</sup> )	-----	-----	-----
Other public administration.....	100.0	43.5	12.9	43.5
Self-employed workers.....	100.0	40.8	26.2	33.0

<sup>1</sup> For definition, see text footnote 7.<sup>2</sup> Includes workers in forestry, fisheries, and mining, not shown separately.<sup>3</sup> Percent not shown where base is less than 100,000.

NOTE.—Because of rounding, sums of individual items may not equal totals.

Women who were dual jobholders had a slightly greater tendency to work at night on their second jobs (38 percent) than did men (33 percent). This undoubtedly results from the heavier concentration of women in extra evening jobs in trade and service. About equal proportions of men and women worked during weekday working hours on their extra jobs, but the proportion working weekends was a little larger for men (24 versus 21 percent).

Work schedules of secondary jobs varied little by major industry and class of worker of primary job. Multiple jobholders with their principal jobs in farming or self-employment were more likely than others to hold their secondary jobs during weekday working hours. As previously stated, it is probably easier for self-employed persons than wage and salary workers to adjust the hours of their primary job to a second job which is available during regular working hours. Furthermore, many dual jobholding farmers and farm laborers divide the daylight working hours between two part-time farm jobs. Relatively few persons with primary jobs in educational services, most of whom are teachers, worked mostly during weekday working hours on their second jobs; large proportions worked nights and on weekends.

#### MULTIPLE JOBHOLDERS AND THE UNEMPLOYED

The statement has often been made during periods of high unemployment that dual jobholders have jobs which should be given to the unemployed. Presumably this suggestion is directed primarily at the 3 out of 4 dual jobholders who have a full-time job. It is also suggested that the number of unemployed would drop considerably if multiple jobholders were to relinquish their extra jobs. In considering the question of how many unemployed would find jobs under these circumstances, it is obvious that no accurate estimate can be made because of a great many factors which would limit this number and whose influence cannot be measured. Some of these are the ability of unemployed persons to meet qualifications for specific jobs, differences in location of the unemployed and secondary jobs, and problems of matching jobs usually held only by men or only by women. Nevertheless, it is possible to identify at least some of the secondary jobs which are unsuitable for the unemployed.



TABLE 7.—Major occupation group of secondary job for persons with 2 or more jobs and of last full-time job for unemployed persons, December 1960

[In thousands]

Major occupation group	Secondary job of persons with 2 or more jobs			Last full-time job of unemployed persons <sup>1</sup>
	Total	Self-employed on secondary job	Wage and salary on secondary job	
All occupations.....	3,012	852	2,160	4,172
Professional and technical workers, managers, officials, and proprietors, except farm.....	817	254	563	240
Professional and technical workers.....	532	100	432	133
Managers, officials, and proprietors, except farm.....	285	154	131	107
Clerical and sales workers, craftsmen, operatives, service workers, and laborers.....	1,757	163	1,594	3,911
Clerical workers.....	214	9	205	371
Sales workers.....	302	37	265	132
Craftsmen.....	238	65	173	660
Operatives.....	365	20	345	1,273
Service workers, including private households.....	374	12	362	619
Laborers, except farm and mine.....	145	12	133	615
Farm laborers.....	119	8	111	241
Farmers and farm managers.....	438	434	4	20

<sup>1</sup> Data relate only to unemployed persons who at sometime held a full-time civilian job for a period of at least 2 weeks.

NOTE.—Because of rounding, sums of individual items may not equal totals.

The data in table 7 show the occupation of unemployed persons in December 1960 and the occupation and class of worker of dual jobholders on their secondary jobs. About 850,000 dual jobholders in December had secondary jobs operating their own farms or businesses—positions which the unemployed could not reasonably be expected to fill. Another 560,000 dual jobholders had extra wage or salary jobs as managers and officials and as professional and technical workers. However, there were only about 240,000 unemployed managers, officials, and professionals who could conceivably take these secondary jobs. It would be very unlikely that unemployed persons in other occupations would have the skills necessary to qualify for the remaining 320,000 secondary jobs in the managerial and professional field. Thus about 1.2 million secondary jobs in professional and managerial occupations or in self-employment could not reasonably be expected to be filled by unemployed persons. Of the remaining 1.8 million wage and salary secondary jobs in nonprofessional and nonmanagerial occupations, the number that could be taken by the unemployed would depend on their geographic location and on such other limiting factors as have been mentioned.

Even if the unemployed workers could be referred to these specific jobs, it is doubtful whether they would want them because of the small amount of work, and presumably earnings, they provide. On the typical second job in a nonagricultural industry, the dual jobholder worked 11 hours during the entire survey week. Only 6 percent, or 130,000, of the second wage or salary jobs in nonfarm work were full time (35 hours a week or more). There is no way of knowing from the survey data whether combinations of these very small secondary jobs into full-time work would be possible in some instances, but it is unlikely that these would be numerous.

Finally, many of the extra jobs held by dual jobholders are only temporary. Excluding about 70,000 persons who changed from one job to another during the survey week, about 300,000, or 1 out of 10, dual jobholders no longer held both jobs in the following week. Apparently, the turnover in this group is unusually high.

This preprint contains, in addition to the article which will be published in the October 1961 issue of the Review, the following material:

Explanatory note.

Detailed tables:

- A. Personal characteristics of persons with two or more jobs, December 1960.
- B. Industry group and class of worker of secondary job by industry group of primary job for persons with two or more jobs, December 1960.
- C. Occupation of primary and secondary jobs for persons with two or more jobs, by sex, December 1960.
- D. Major occupation group of secondary job by major occupation group of primary job for persons with two or more jobs, December 1960.
- E. Occupation and class of worker of primary and secondary jobs for persons with two or more jobs, December 1960.
- F. Total hours worked by industry and class of worker of primary job for persons with two or more jobs, December 1960.
- G. Hours worked on secondary job by industry and class of worker of primary job for persons at work on two or more jobs, December 1960.
- H. Hours worked on secondary job by industry and class of worker of secondary job for persons at work on two or more jobs, December 1960.
- I. Hours worked on secondary job by occupation of secondary job for persons at work on two or more jobs, December 1960.
- J. Hours worked on secondary job by age and sex for persons at work on two or more jobs, December 1960.
- K. Work schedule and hours on secondary job by age and sex for persons at work on two or more jobs, December 1960.
- L. Work schedule and hours on secondary job by industry and class of worker of primary job for persons at work on two or more jobs, December 1960.
- M. Work schedule on secondary job by occupation of secondary job for persons at work on two or more jobs, December 1960.

#### EXPLANATORY NOTE

The estimates in this report are based on supplementary questions in the December 1960 monthly survey of the labor force conducted and tabulated for the Bureau of Labor Statistics by the Bureau of the Census. The basic labor force concepts, sample design, estimating methods, and reliability of the data are described briefly in the material which follows.<sup>1</sup>

#### DEFINITIONS AND EXPLANATIONS

*Population coverage.*—In the monthly survey, information is collected by trained interviewers from a sample of about 35,000 households in 333 areas throughout the country. Beginning in January 1960, the coverage was extended to include Alaska and Hawaii. The estimates presented here relate to persons 14 years of age and over in the civilian noninstitutional population of the United States in the calendar week ending December 10, 1960. The civilian noninstitutional population excludes all members of the Armed Forces and inmates of penal institutions, tuberculosis sanitariums, and the like.

*Employed.*—Employed persons comprise those who, during the survey week, were either (a) "at work"—those who did any work for pay or profit, or worked without pay for 15 hours or more on a family farm or business; or (b) "with a job but not at work"—those who did not work and were not looking for work but had a job or business from which they were temporarily absent because of vacation, illness, industrial dispute, or bad weather, or because they were taking time off for various other reasons.

*Occupation, industry, and class of worker.*—The data on occupation, industry, and class of worker relate to the job held during the survey week. Persons employed at two or more jobs are normally classified in the job at which they worked the greatest number of hours during the week (called the primary job). In this special study, however, information was obtained on the additional jobs as well.

The occupation and industry categories used here are those used in the 1960 Census of Population. The composition of the major groups in terms of detailed occupations and industries is available upon request.

<sup>1</sup> A more complete account of the methodology is published in the explanatory notes of the Bureau of Labor Statistics monthly report, "Employment and Earnings"

The class-of-worker breakdown specifies "wage and salary workers," "self-employed workers," and "unpaid family workers." Wage and salary workers are persons working for wages, salary, commission, tips, pay in kind, or at piece rates for a private employer or for any governmental unit. Self-employed workers are persons working in their own business, profession, or trade, or operating a farm, for profit or fees. Unpaid family workers are persons working without pay on a farm or in a business operated by a member of the household to whom they are related by blood or marriage.

*Multiple jobholders.*—For purposes of this survey, multiple jobholders are employed persons who, during the survey week: (1) had jobs as wage or salary workers with two employers or more, (2) were self-employed and also held a wage or salary job, (3) worked as an unpaid family worker but also had a secondary wage or salary job. Persons employed only in private households (as a maid, laundress, gardener, babysitter, etc.) who worked for two employers or more during the survey week were not counted as multiple jobholders. Working for several employers was considered an inherent characteristic of private household work rather than an indication of multiple jobholding. Also excluded were self-employed persons with additional farms or businesses and persons with any additional jobs as unpaid family workers.

*Hours of work.*—The statistics on hours of work relate to the actual number of hours worked during the survey week. For persons working in more than one job, information was obtained in this special study on the hours worked in each job.

The total number of hours worked was obtained by adding hours reported separately for primary and secondary jobs, rather than using the respondent's answer to total hours worked, as done in previous surveys.

*Full-time and part-time jobs.*—Full-time jobs are those at which persons worked 35 hours or more during the survey week, and part-time jobs are those at which persons worked 1 to 34 hours.

*Work schedule.*—For purposes of this report, secondary jobs were classified as "mostly at night" if most of the hours worked were between the hours of 6 p.m. and 6 a.m. on Monday through Friday; "mostly during weekday working hours" if most of the hours worked were between 6 a.m. and 6 p.m. on Monday through Friday; and "mostly during weekends" if most of the hours worked were on Saturday or Sunday, whether at night or during the day.

*Unemployed.*—Unemployed persons include those who did not work at all during the survey week and were looking for work, regardless of whether they were eligible for unemployment insurance. Also included as unemployed are those who did not work at all during the survey week and (a) who were waiting either to be called back to a job from which they had been laid off or to report to a new wage or salary job scheduled to start within the following 30 days (and were not in school during the survey week) or (b) who would have been looking for work except that they were temporarily ill or believed no work was available in their line of work in the community.

TABLE 1.—Standard error of level of monthly estimates

[In thousands]

Size of estimate	Both sexes		Male		Female	
	Total or white	Non-white	Total or white	Non-white	Total or white	Non-white
10.....	5	5	7	5	5	5
50.....	11	10	14	10	10	10
100.....	15	14	20	14	14	14
250.....	24	21	31	21	22	21
500.....	34	30	43	30	31	30
1,000.....	48	40	60	40	45	40
2,500.....	75	50	90	50	70	50
5,000.....	100	50	110	-----	100	-----
10,000.....	140	-----	140	-----	130	-----
20,000.....	180	-----	150	-----	170	-----
30,000.....	210	-----	-----	-----	-----	-----
40,000.....	220	-----	-----	-----	-----	-----

## EMPLOYMENT AND UNEMPLOYMENT

TABLE 2.—Standard error of percentages

Estimated percentage	Base of percentage (thousands)					
	100	250	500	1,000	2,000	3,000
1 or 99.....	1.2	0.8	0.6	0.4	0.3	0.2
2 or 98.....	1.7	1.1	.8	.5	.4	.3
5 or 95.....	2.7	1.7	1.2	.9	.6	.5
10 or 90.....	3.7	2.3	1.7	1.2	.8	.7
15 or 85.....	4.4	2.8	2.0	1.4	1.0	.8
20 or 80.....	4.9	3.1	2.2	1.6	1.1	.9
25 or 75.....	5.3	3.4	2.4	1.7	1.2	1.0
35 or 65.....	5.9	3.7	2.6	1.9	1.3	1.1
50.....	6.2	3.9	2.8	1.9	1.4	1.1
	5,000	10,000	25,000	50,000	75,000	
1 or 99.....	0.2	0.1	0.1	0.1	0.1	
2 or 98.....	.2	.2	.1	.1	.1	
5 or 95.....	.4	.3	.2	.1	.1	
10 or 90.....	.5	.4	.2	.2	.1	
15 or 85.....	.6	.4	.3	.2	.2	
20 or 80.....	.7	.5	.3	.2	.2	
25 or 75.....	.8	.5	.3	.2	.2	
35 or 65.....	.8	.6	.4	.3	.2	
50.....	.9	.6	.4	.3	.2	

*Age.*—The age classification is based on the age of the person at his last birthday.

*Marital status.*—Persons were classified into the following categories according to their marital status at the time of interview: Single; married, spouse present; married, spouse absent; widowed; or divorced. The classification "married, spouse present" is applied to husband and wife if both were reported as members of the same household even though one may have been temporarily absent on business, vacation, or a visit, in a hospital, etc., at the time of interview. The term "married, spouse absent" applies to all other married persons.

## RELIABILITY OF THE ESTIMATES

*Estimating procedure.*—The estimating procedure used in this survey involved the inflation of weighted sample results to independent estimates of the civilian noninstitutional population of the United States by age, color, and sex. Beginning with data for January 1953, these independent estimates for the current population survey were based on statistics from the 1950 Census of Population; statistics of births, deaths, immigration, and emigration; and statistics on the strength of the Armed Forces.

*Variability.*—Since the estimates are based on a sample, they may differ from the figures that would have been obtained if it were possible to take a complete census using the same schedules and procedures.

As in any survey work, the results are also subject to errors of response and reporting. These may be relatively large in the case of individuals who have irregular attachments to the labor market.

The standard error is primarily a measure of sampling variability, that is, the variations of sample estimates from a complete census that might occur by chance because only part of the population is surveyed. As calculated for this report, the standard error also partially measures the effect of response and enumeration errors but does not reflect any systematic biases in the data. The chances are about 2 out of 3 that an estimate from the sample would differ from a complete census by less than the standard error. The chances are about 19 out of 20 that the difference would be less than twice the standard error.

The figures presented in tables 1 and 2 are approximations of the standard errors of various characteristics, and should be interpreted as providing an indication of the order of magnitude of the standard errors, rather than the precise standard error for any specific item.

*Illustration.*—An estimated 3,012,000 persons had 2 jobs or more during the week ending December 10, 1960. The chances are about 2 out of 3 that the difference between the estimate and the figure which would have been obtained from a complete census is less than 80,000. The chances are about 19 out of 20 that the difference is less than 160,000.

The reliability of an estimated percentage, computed by using sample data for both numerator and denominator, depends upon both the size of the percentages and the size of the total upon which the percentage is based. Estimated percentages are relatively more reliable than the corresponding absolute estimates of the numerator of the percentage, particularly if the percentage is large (50 percent or greater).

*Sums of distribution.*—Sums of individual items—whether absolute numbers or percentages—may not equal totals because of independent rounding of totals and components.

## DETAILED TABLES

TABLE A.—Personal characteristics of persons with 2 or more jobs, December 1960

Personal characteristics	Both sexes			Male			Female		
	Total employed (thousands)	Persons with 2 or more jobs		Total employed (thousands)	Persons with 2 or more jobs		Total employed (thousands)	Persons with 2 or more jobs	
		Number (thousands)	Percent of employed		Number (thousands)	Percent of employed		Number (thousands)	Percent of employed
<b>AGE</b>									
Total, 14 years and over.....	66,009	3,012	4.6	43,596	2,560	5.9	22,413	452	2.0
14 to 17 years.....	2,234	67	3.0	1,312	43	3.3	922	24	2.6
18 and 19 years.....	2,289	78	3.4	1,187	49	4.1	1,102	29	2.6
20 to 24 years.....	6,073	250	4.1	3,615	205	5.7	2,458	45	1.8
25 to 34 years.....	13,463	726	5.4	9,609	663	6.9	3,854	63	1.6
35 to 44 years.....	15,444	822	5.3	10,454	706	6.8	4,991	116	2.3
45 to 54 years.....	14,173	630	4.4	9,071	523	5.8	5,102	107	2.1
55 to 64 years.....	9,158	346	3.8	6,163	297	4.8	2,995	49	1.6
65 years and over.....	3,176	93	2.9	2,186	74	3.4	990	19	1.9
Median age (years).....	40.8	39.7		40.8	39.5		40.8	40.6	
<b>MARITAL STATUS</b>									
Total, 14 years and over.....	66,009	3,012	4.6	43,596	2,560	5.9	22,413	452	2.0
Single.....	11,980	369	3.1	6,848	238	3.5	5,132	131	2.6
Married, spouse present.....	46,871	2,439	5.2	34,364	2,229	6.5	12,507	210	1.7
Other marital status <sup>1</sup> .....	7,175	204	2.8	2,384	93	3.9	4,773	111	2.3
<b>COLOR</b>									
Total, 14 years and over.....	66,009	3,012	4.6	43,596	2,560	5.9	22,413	452	2.0
White.....	59,187	2,731	4.6	39,510	2,333	5.9	19,677	398	2.0
Nonwhite.....	6,822	281	4.1	4,086	227	5.6	2,736	54	2.0

<sup>1</sup> Includes widowed, divorced, and married, spouse absent.

TABLE B.—Industry group and class of worker of secondary job by industry group of primary job for persons with 2 or more jobs, December 1960  
[Percent distribution]

Industry group and class of worker of primary job	Secondary job												Self-employed workers	
	Total	Agriculture		Nonagricultural industries										
		Wage and salary workers	Self-employed workers	Wage and salary workers										
				Total <sup>1</sup>	Construction	Manufacturing	Transportation and public utilities	Trade		Service		Public administration		
						Wholesale	Retail	Private households	Other	Postal service	Other			
All persons with 2 or more jobs.....	100.0	4.5	15.0	67.2	4.0	7.3	5.5	1.4	15.2	3.0	24.0	1.2	5.2	13.3
Agriculture <sup>2</sup> .....	100.0	29.5	12.0	58.1	6.9	11.1	13.6	3.0	4.5	2.4	8.4	1.8	5.7	.3
Wage and salary workers.....	(3)													
Self-employed workers.....	100.0	24.5	(4)	75.5	8.7	15.4	18.3	4.8	4.8	2.4	11.1	2.9	6.2	(4)
Nonagricultural industries <sup>2</sup> .....	100.0	1.4	15.4	68.4	3.7	6.8	4.5	1.2	16.6	3.1	25.9	1.1	5.1	14.9
Wage and salary workers <sup>1</sup> .....	100.0	1.2	16.6	66.2	3.3	6.4	4.3	1.2	17.1	3.2	25.0	1.1	4.2	16.0
Construction.....	100.0	1.1	33.7	53.5	18.2	3.7	2.7	.5	10.7	1.1	9.6		5.9	11.8
Manufacturing.....	100.0	1.4	22.9	58.4	2.4	11.8	2.6	.8	15.0	1.4	17.7	2.8	3.7	17.3
Transportation and public utilities.....	100.0	.9	17.4	59.4	.9	6.8	15.1	1.4	15.5		15.5		4.1	22.4
Wholesale and retail trade.....	100.0	.5	13.8	73.4	2.4	5.3	3.1	3.9	25.9	8.2	21.1	.6	2.9	12.3
Wholesale.....	100.0		20.8	63.2	2.8	3.8	.9	7.5	24.5	1.9	18.9		2.8	16.0
Retail.....	100.0	.7	11.4	76.9	2.3	5.9	3.9	2.6	26.4	10.4	21.8	.7	2.9	11.1
Service and finance.....	100.0	2.0	6.7	74.8	1.8	3.8	3.7	.3	13.2	3.9	42.4	1.0	4.1	16.5
Private households.....	(3)													
Other.....	100.0	1.3	7.0	74.5	1.6	4.0	3.5	.3	12.7	4.2	42.3	1.0	4.3	17.1
Public administration.....	100.0	.4	16.9	66.5	3.1	3.9	3.9	.8	26.4	1.2	20.1	.4	6.7	16.1
Postal service.....	(3)													
Other public administration.....	100.0	.5	15.8	66.3	4.2	3.7	2.6		25.8	1.6	19.5	.5	8.4	17.4
Self-employed workers.....	100.0	3.3	(4)	96.7	8.7	10.3	7.6		10.3	2.2	38.0	1.1	18.5	(4)

<sup>1</sup> Includes wage and salary workers in forestry, fisheries, and mining, not shown separately.

<sup>2</sup> Includes unpaid family workers not shown separately.

<sup>3</sup> Percent not shown where base is less than 100,000.

<sup>4</sup> Self-employed persons with a secondary farm or business, but no wage or salary job, were not counted as multiple jobholders.

TABLE C.—Occupation of primary and secondary jobs for persons with 2 or more jobs, by sex, December 1960

Occupation group	Both sexes				Male				Female			
	Persons with 2 or more jobs		Percent distribution		Persons with 2 or more jobs		Percent distribution		Persons with 2 or more jobs		Percent distribution	
	Number (thousands)	Percent of employed <sup>1</sup>	Primary job	Secondary job	Number (thousands)	Percent of employed <sup>1</sup>	Primary job	Secondary job	Number (thousands)	Percent of employed <sup>1</sup>	Primary job	Secondary job
All occupations.....	3,012	4.6	100.0	100.0	2,560	5.9	100.0	100.0	452	2.0	100.0	100.0
Professional, technical, and kindred workers.....	557	7.2	18.5	17.7	447	8.9	17.5	16.3	110	3.9	24.3	25.2
Medical and other health workers.....	57	4.2	1.9	1.7	34	5.8	1.3	1.2	23	3.0	5.1	4.4
Teachers, except college.....	155	8.9	5.1	1.9	125	23.5	4.9	1.6	30	2.5	6.6	3.5
Other professional, technical, and kindred workers.....	345	7.3	11.5	14.1	288	7.4	11.2	13.5	57	6.9	12.6	17.3
Farmers and farm managers.....	212	7.8	7.0	14.5	207	7.9	8.1	16.9	5	4.7	1.1	1.3
Managers, officials, and proprietors, except farm.....	288	3.9	9.6	9.5	273	4.4	10.7	10.4	15	1.3	3.3	4.0
Clerical and kindred workers.....	338	3.5	11.2	7.1	234	7.5	9.1	5.9	104	1.6	23.0	13.9
Sales workers.....	191	4.0	6.3	10.0	135	4.8	5.3	8.9	56	2.8	12.4	16.6
Retail trade.....	94	3.2	3.1	5.5	51	4.6	2.0	4.3	43	2.4	9.5	12.2
Other sales workers.....	97	5.1	3.2	4.5	84	4.9	3.3	4.6	13	6.8	2.9	4.4
Craftsmen, foremen, and kindred workers.....	408	5.0	13.5	7.9	404	5.1	15.8	9.1	4	1.7	.9	1.3
Carpenters and construction craftsmen <sup>2</sup> .....	125	5.3	4.2	3.2	124	5.3	4.8	3.6	1	( <sup>3</sup> )	.2	.4
Mechanics and repairmen.....	107	5.4	3.6	2.4	107	5.5	4.2	2.9				
Other craftsmen, foremen, and kindred workers <sup>4</sup> .....	176	4.5	5.8	2.3	173	4.7	6.8	2.6	3	1.5	.7	.9
Operatives and kindred workers.....	452	3.9	15.0	12.1	431	5.1	16.8	13.7	21	.7	4.6	3.1
Drivers and deliverymen.....	137	5.8	4.5	5.1	137	5.9	5.4	6.0				
Other operatives and kindred workers.....	315	3.4	10.5	7.0	294	4.9	11.5	7.7	21	.7	4.6	3.1
Private household workers.....	35	1.5	1.2	2.0				.3	35	1.5	7.7	11.7
Service workers, except private household.....	274	4.4	9.1	10.4	189	6.6	7.4	8.8	85	2.5	18.8	19.5
Protective service workers.....	66	8.8	2.2	1.5	64	8.9	2.5	1.8	2	7.7	.4	
Waiters, cooks, and bartenders.....	58	3.5	1.9	2.9	23	5.0	.9	2.1	35	2.9	7.7	7.1
Other service workers.....	150	3.9	5.0	6.1	102	6.1	4.0	5.0	48	2.3	10.6	12.4
Farm laborers and foremen.....	111	5.8	3.7	4.0	94	6.8	3.7	4.1	17	3.2	3.8	3.3
Laborers, except farm and mine.....	146	4.4	4.8	4.8	146	4.5	5.7	5.7				

<sup>1</sup> Persons with 2 or more jobs as percent of all employed in sex and occupation group.<sup>2</sup> Figures published for December 1959 on percent of employed should be corrected as follows: 6.2 percent for both sexes and 6.2 percent for males.<sup>3</sup> Percent not shown where base is less than 100,000.<sup>4</sup> Figures published for December 1959 on percent of employed should be corrected as follows: 4.6 percent for both sexes, 4.8 percent for males and 0.6 percent for females.



TABLE D.—Major occupation group of secondary job by major occupation group of primary job for persons with 2 or more jobs, December 1960  
[Percent distribution]

Major occupation group of primary job	Secondary job											
	All occupation groups	Professional, technical, and kindred workers	Farmers and farm managers	Managers, officials, and proprietors, except farm	Clerical and kindred workers	Sales workers	Craftsmen, foremen, and kindred workers	Operatives and kindred workers	Private household workers	Service workers, except private household	Farm laborers and foremen	Laborers, except farm and mine
All occupation groups.....	100.0	17.7	14.5	9.5	7.1	10.0	7.9	12.1	2.0	10.4	4.0	4.8
Professional, technical, and kindred workers.....	100.0	60.1	5.0	6.3	5.7	10.2	4.7	2.9	.5	3.1	.4	1.1
Farmers and farm managers.....	100.0	5.2	1.4	6.6	6.1	4.2	9.4	32.1	-----	1.9	20.3	12.7
Managers, officials, and proprietors, except farm.....	100.0	21.9	12.8	22.9	10.4	10.1	5.6	10.8	.3	3.1	1.0	1.0
Clerical and kindred workers.....	100.0	8.9	7.4	11.8	21.6	21.0	3.3	10.4	3.8	9.5	-----	2.4
Sales workers.....	100.0	12.6	11.0	12.0	7.3	25.7	5.8	7.3	4.2	12.6	-----	1.6
Craftsmen, foremen, and kindred workers.....	100.0	6.4	24.5	11.0	2.9	6.9	22.5	13.0	-----	9.6	.5	2.7
Operatives and kindred workers.....	100.0	4.6	27.9	7.7	4.4	6.2	6.9	23.2	.7	11.9	1.5	4.9
Private household workers.....	(1)	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----	-----
Service workers except private household.....	100.0	5.8	8.0	5.1	3.6	7.7	5.8	8.0	11.0	39.8	-----	5.1
Farm laborers and foremen.....	100.0	.9	25.2	-----	.9	.9	1.8	3.6	1.8	.9	47.7	16.2
Laborers, except farm and mine.....	100.0	3.4	32.9	7.5	4.1	4.1	7.5	9.6	-----	3.4	4.8	22.6

<sup>1</sup> Percent not shown where base is less than 100,000.

TABLE E.—Occupation and class of worker of primary and secondary jobs for persons with 2 or more jobs, December 1960

[Percent distribution]

Major occupation group	Occupation of primary job				Occupation of secondary job			
	Total	Wage and salary on primary job		Self-employed on primary job, wage and salary on secondary job	Total	Wage and salary on primary job		Self-employed on primary job, wage and salary on secondary job
		Wage and salary on secondary job	Self-employed on secondary job			Wage and salary on secondary job	Self-employed on secondary job	
All occupation groups:								
Number (thousands).....	3,012	<sup>1</sup> 1,768	852	392	3,012	<sup>1</sup> 1,768	852	392
Percent.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Professional, technical, and kindred workers.....	18.5	20.4	16.1	15.1	17.7	19.8	11.8	20.7
Farmers and farm managers.....	7.0	.1	.5	52.8	14.5	.2	51.0	.3
Managers, officials, and proprietors, except farm.....	9.6	7.0	9.2	22.2	9.5	5.2	18.1	9.9
Clerical and kindred workers.....	11.2	15.3	7.9	-----	7.1	10.0	1.1	6.9
Sales workers.....	6.3	7.3	5.8	3.3	10.0	13.7	4.3	5.9
Craftsmen, foremen, and kindred workers.....	13.5	12.9	20.0	2.3	7.9	8.4	7.6	6.4
Operatives and kindred workers.....	15.0	13.8	23.5	2.0	12.1	14.1	2.4	24.5
Private household workers.....	1.2	1.8	.2	.3	2.0	3.2	-----	1.0
Service workers, except private household.....	9.1	12.9	5.0	.8	10.4	16.1	1.4	4.3
Farm laborers and foremen.....	3.7	4.4	3.9	-----	4.0	3.6	.9	12.2
Laborers, except farm and mine.....	4.8	4.1	8.0	1.3	4.8	5.8	1.4	7.9

<sup>1</sup> Includes a small number of persons who are unpaid family workers on their primary job and wage and salary workers on their secondary job.

TABLE F.—Total hours worked by industry and class of worker of primary job for persons with 2 or more jobs, December 1960

Industry and class of worker of primary job	Total at work <sup>1</sup>	Total hours worked					Median hours
		Percent distribution					
		1 to 34 hours	35 to 40 hours	41 to 48 hours	49 to 59 hours	60 hours or more	
All industries.....	100.0	16.2	10.6	20.7	24.2	28.3	50
Agriculture <sup>2</sup> .....	100.0	26.1	15.2	13.7	9.0	36.0	46
Wage and salary workers.....	( <sup>3</sup> )	.....	.....	.....	.....	.....	.....
Self-employed workers.....	100.0	20.0	12.2	14.1	9.8	43.9	52
Nonagricultural industries.....	100.0	15.0	10.0	21.5	26.1	27.4	50
Wage and salary workers <sup>4</sup> .....	100.0	14.6	10.2	22.2	26.4	26.6	50
Construction.....	100.0	20.1	14.5	21.2	26.8	17.3	46
Manufacturing.....	100.0	7.5	9.0	25.0	28.5	30.0	52
Durable goods.....	100.0	5.5	9.4	23.4	28.3	33.5	53
Nondurable goods.....	100.0	10.5	8.6	27.3	28.9	24.6	50
Transportation and public utilities.....	100.0	10.8	8.0	24.1	25.9	31.1	52
Wholesale and retail trade.....	100.0	24.2	10.7	17.7	20.7	26.7	47
Wholesale.....	100.0	11.6	7.8	23.3	30.1	27.2	51
Retail.....	100.0	28.5	11.7	15.8	17.4	26.5	45
Service and finance.....	100.0	18.6	10.7	23.5	26.8	20.4	48
Private households.....	( <sup>3</sup> )	.....	.....	.....	.....	.....	.....
Other service and finance.....	100.0	16.0	10.7	24.4	27.9	20.9	48
Finance, insurance, and real estate.....	100.0	11.0	10.1	26.6	33.0	19.3	49
Educational services.....	100.0	8.4	12.0	32.1	31.4	16.1	48
Professional services, except education.....	100.0	21.7	9.1	20.0	22.9	26.3	48
Other services.....	100.0	29.5	10.7	11.5	23.0	25.4	47
Public administration.....	100.0	6.1	9.4	16.4	29.9	38.1	55
Postal service.....	( <sup>3</sup> )	.....	.....	.....	.....	.....	.....
Other public administration.....	100.0	6.5	9.8	17.4	31.0	35.3	54
Self-employed and unpaid family workers.....	100.0	20.8	7.6	12.6	21.3	37.7	53

<sup>1</sup> Dual jobholders at work on 1 or more jobs.

<sup>2</sup> Includes a small number of unpaid family workers, not shown separately.

<sup>3</sup> Percent and median hours not shown where base is less than 100,000.

<sup>4</sup> Includes a small number of workers in forestry, fisheries, and mining, not shown separately.

TABLE G.—Hours worked on secondary job by industry and class of worker of primary job for persons at work on 2 or more jobs, December 1960

Industry and class of worker of primary job	Total at work on 2 or more jobs	Hours worked on secondary job					Median hours
		Percent distribution					
		1 to 7 hours	8 to 14 hours	15 to 21 hours	22 to 34 hours	35 hours or more	
All industries.....	100.0	36.8	28.7	18.6	9.9	6.1	11
Agriculture <sup>1</sup> .....	100.0	24.6	34.3	24.6	8.6	7.9	13
Wage and salary.....	(?)						
Self-employed workers.....	100.0	17.0	33.9	28.1	8.8	12.3	14
Nonagricultural industries <sup>1</sup> .....	100.0	38.0	28.2	18.0	10.0	5.9	10
Wage and salary workers <sup>2</sup> .....	100.0	37.2	28.6	17.9	10.4	5.9	11
Construction.....	100.0	40.1	23.3	22.1	12.2	2.3	10
Manufacturing.....	100.0	32.6	28.7	19.0	12.1	7.6	12
Durable goods.....	100.0	30.3	28.9	16.3	14.9	9.6	12
Nondurable goods.....	100.0	36.0	28.5	23.0	7.9	4.6	11
Transportation and public utilities.....	100.0	24.0	39.2	18.1	13.7	4.9	12
Wholesale and retail trade.....	100.0	42.3	27.6	16.4	8.9	4.7	10
Wholesale.....	(?)						
Retail.....	100.0	43.6	26.7	16.5	9.4	3.8	9
Service and finance.....	100.0	44.4	27.9	15.3	7.0	5.3	9
Private households.....	(?)						
Educational services.....	100.0	53.5	25.8	12.5	4.3	3.9	7
Other services and finance.....	100.0	38.5	29.6	16.4	8.7	6.9	10
Public administration.....	100.0	29.2	25.7	22.6	14.6	8.0	13
Postal service.....	(?)						
Other public administration.....	100.0	30.4	26.3	21.6	12.9	8.8	13
Self-employed workers.....	100.0	48.1	23.1	19.9	3.2	5.8	8

<sup>1</sup> Includes a small number of unpaid family workers, not shown separately.  
<sup>2</sup> Percent and median hours not shown where base is less than 100,000.

<sup>3</sup> Includes a small number of workers in forestry, fisheries, and mining, not shown separately.

TABLE H.—Hours worked on secondary job by industry and class of worker of secondary job for persons at work on 2 or more jobs, December 1960

Industry and class of worker of secondary job	Total at work on 2 or more jobs	Hours worked on secondary job					Median hours
		Percent distribution					
		1 to 7 hours	8 to 14 hours	15 to 21 hours	22 to 34 hours	35 hours or more	
All industries.....	100.0	36.8	28.7	18.6	9.9	6.1	11
Agriculture.....	100.0	36.8	30.2	17.8	9.3	5.9	11
Wage and salary workers.....	100.0	40.5	38.8	12.9	6.0	1.7	9
Self-employed workers.....	100.0	35.8	27.9	19.1	10.2	7.0	11
Nonagricultural industries.....	100.0	36.7	28.5	18.7	10.0	6.1	11
Wage and salary workers <sup>1</sup> .....	100.0	37.3	27.0	19.8	10.0	6.0	11
Construction.....	(2)						
Manufacturing.....	100.0	33.3	16.7	20.1	16.1	13.8	14
Durable goods.....	(2)						
Nondurable goods.....	100.0	41.4	18.9	17.1	13.5	9.0	11
Transportation and public utilities.....	100.0	15.6	31.2	43.3	6.4	3.5	15
Wholesale and retail trade.....	100.0	22.2	35.2	23.8	13.2	5.6	13
Wholesale.....	(2)						
Retail.....	100.0	21.3	35.2	24.5	13.0	6.0	13
Service and finance.....	100.0	51.3	24.1	14.5	6.2	3.9	7
Private households.....	(2)						
Educational services.....	100.0	66.9	19.5	9.8	1.5	2.3	8
Other services and finance.....	100.0	45.2	24.7	17.4	8.0	4.6	9
Public administration.....	100.0	40.9	28.6	7.8	9.7	13.0	10
Postal service.....	(2)						
Other public administration.....	100.0	42.9	28.6	7.9	7.1	13.5	9
Self-employed workers.....	100.0	33.9	35.2	13.9	10.2	6.8	11

<sup>1</sup> Includes a small number of workers in forestry, fisheries, and mining, not shown separately.

<sup>2</sup> Percent and median hours not shown where base is less than 100,000.

TABLE I.—Hours worked on secondary job by occupation of secondary job for persons at work on 2 or more jobs, December 1960

Major occupation group of secondary job	Total at work on 2 or more jobs	Hours worked on secondary job					Median hours
		Percent distribution					
		1 to 7 hours	8 to 14 hours	15 to 21 hours	22 to 34 hours	35 hours or more	
All occupations.....	100.0	36.8	28.7	18.6	9.9	6.1	11
Professional, technical, and kindred workers.....	100.0	57.2	24.9	10.3	5.4	2.1	7
Farmers and farm managers.....	100.0	35.9	29.2	17.5	10.3	7.2	11
Managers, officials, and proprietors, except farm.....	100.0	30.6	31.0	15.1	13.3	9.0	12
Clerical and kindred workers.....	100.0	38.8	24.5	20.4	7.7	8.7	11
Sales workers.....	100.0	27.4	35.3	22.4	12.2	2.7	12
Craftsmen, foremen, and kindred workers.....	100.0	33.2	31.1	17.9	11.1	6.8	11
Operatives and kindred workers.....	100.0	20.2	27.5	28.1	16.2	8.0	15
Service workers.....	100.0	37.4	25.2	21.4	8.1	7.8	11
Farm laborers and foremen.....	100.0	36.6	38.6	17.8	5.0	2.0	10
Laborers, except farm and mine.....	100.0	33.9	33.9	16.5	7.9	7.9	11

TABLE J.—Hours worked on secondary job by age and sex for persons at work on 2 or more jobs, December 1960

Age and sex	Total at work on 2 or more jobs	Hours worked on secondary job					Median hours
		Percent distribution					
		1 to 7 hours	8 to 14 hours	15 to 21 hours	22 to 34 hours	35 hours or more	
<b>BOTH SEXES</b>							
Total, 14 years and over.....	100.0	36.8	28.7	18.6	9.9	6.1	11
14 to 24 years.....	100.0	43.4	30.6	14.9	10.0	1.1	9
14 to 19 years.....	100.0	57.5	27.6	9.7	5.2		7
20 to 24 years.....	100.0	34.7	32.4	18.1	13.0	1.9	11
25 to 34 years.....	100.0	32.1	28.8	19.0	11.1	9.0	12
35 to 44 years.....	100.0	36.2	27.3	19.3	10.4	6.7	11
45 to 54 years.....	100.0	35.1	30.1	21.7	7.4	5.6	
55 years and over.....	100.0	35.2	31.6	16.2	11.3	5.8	11
55 to 64 years.....	100.0	32.9	30.8	16.8	13.4	6.2	11
65 years and over.....	(1)						
<b>MALE</b>							
Total, 14 years and over.....	100.0	33.8	29.5	19.1	10.7	6.9	11
<b>FEMALE</b>							
Total, 14 years and over.....	100.0	53.0	24.2	15.8	5.0	1.9	7

<sup>1</sup> Percent and median hours not shown where base is less than 100,000.

TABLE K.—Work schedule and hours on secondary job by age and sex for persons at work on 2 or more jobs, December 1960

[Percent distribution]

Age and sex	Total				1 to 14 hours				15 hours or more			
	Total at work on 2 or more jobs	Mostly at night	Mostly on week-ends	Mostly during weekday working hours	Total at work on 2 or more jobs	Mostly at night	Mostly on week-ends	Mostly during weekday working hours	Total at work on 2 or more jobs	Mostly at night	Mostly on week-ends	Mostly during weekday working hours
<b>BOTH SEXES</b>												
Total, 14 years and over.....	100.0	33.7	24.0	42.3	100.0	34.2	28.0	37.7	100.0	32.8	16.4	50.8
14 to 24 years.....	100.0	34.6	29.1	36.3	100.0	33.6	34.4	32.0	(1)			
14 to 19 years.....	100.0	37.3	32.1	30.6	100.0	32.5	37.7	29.8	(1)			
20 to 24 years.....	100.0	32.9	27.3	39.8	100.0	34.5	31.7	33.8	(1)			
25 to 34 years.....	100.0	43.1	24.5	32.4	100.0	43.7	28.6	27.6	100.0	42.2	17.9	39.8
35 to 44 years.....	100.0	35.5	25.8	38.7	100.0	37.4	30.9	31.7	100.0	32.3	16.9	50.8
45 to 54 years.....	100.0	24.3	21.7	54.0	100.0	23.6	24.7	51.7	100.0	25.5	16.1	58.3
55 years and over.....	100.0	27.5	17.3	55.2	100.0	30.0	18.9	51.0	100.0	22.3	14.0	63.6
55 to 64 years.....	100.0	30.5	17.1	52.4	100.0	34.9	17.7	47.3	100.0	22.6	16.0	61.3
65 years and over.....	(1)				(1)				(1)			
<b>MALE</b>												
Total, 14 years and over.....	100.0	33.1	24.4	42.5	100.0	33.8	28.8	37.4	100.0	31.8	17.1	51.1
<b>FEMALE</b>												
Total, 14 years and over.....	100.0	37.7	21.0	41.3	100.0	36.7	24.1	39.2	(1)			

1 Percent not shown where base is less than 100,000.



TABLE L.—Work schedule and hours on secondary job by industry and class of worker of primary job for persons at work on 2 or more jobs, December 1960

[Percent Distribution]

Industry and class of worker of primary job	Total			1 to 14 hours				
	Total at work on 2 or more jobs	Mostly at night	Mostly on weekends	Mostly during week-day working hours	Total at work on 2 or more jobs	Mostly at night	Mostly on weekends	Mostly during week-day working hours
All industries.....	100.0	33.7	24.0	42.3	100.0	34.2	28.0	37.7
Agriculture <sup>1</sup> .....	100.0	7.4	4.4	88.2	100.0	7.6	7.0	85.4
Wage and salary workers.....	( <sup>2</sup> )	-----	-----	-----	( <sup>2</sup> )	-----	-----	-----
Self-employed workers.....	100.0	7.0	3.5	89.5	( <sup>2</sup> )	-----	-----	-----
Nonagricultural industries <sup>1</sup> .....	100.0	36.8	26.2	37.0	100.0	36.9	30.2	32.9
Wage and salary workers <sup>1</sup> .....	100.0	37.3	27.3	35.4	100.0	36.9	31.5	31.5
Construction.....	100.0	32.7	31.5	35.8	100.0	31.7	34.6	33.7
Manufacturing.....	100.0	37.0	30.2	32.9	100.0	36.6	33.2	30.2
Durable goods.....	100.0	40.3	31.7	28.0	100.0	44.2	32.0	23.8
Non-durable goods.....	100.0	32.1	27.8	40.1	100.0	26.3	34.9	38.8
Transportation and public utilities.....	100.0	29.4	29.4	41.3	100.0	30.2	34.9	34.0
Wholesale and retail trade.....	100.0	41.3	22.1	36.7	100.0	40.2	28.2	31.5
Wholesale.....	( <sup>2</sup> )	-----	-----	-----	( <sup>2</sup> )	-----	-----	-----
Retail.....	100.0	40.6	19.5	39.8	100.0	40.7	25.8	33.5
Service and finance.....	100.0	38.6	26.6	34.7	100.0	38.6	30.5	30.9
Private households.....	( <sup>2</sup> )	-----	-----	-----	( <sup>2</sup> )	-----	-----	-----
Educational services.....	100.0	43.6	32.8	23.6	100.0	40.6	36.0	23.4
Other services and finance.....	100.0	36.6	23.1	40.3	100.0	39.1	26.2	34.8
Public administration.....	100.0	39.6	23.0	37.4	100.0	37.5	28.3	34.2
Postal service.....	( <sup>2</sup> )	-----	-----	-----	( <sup>2</sup> )	-----	-----	-----
Other public administration.....	100.0	43.5	20.2	36.3	( <sup>2</sup> )	-----	-----	-----
Self-employed workers.....	100.0	29.8	9.9	60.3	100.0	38.5	11.9	49.5

<sup>1</sup> Includes a small number of unpaid family workers, not shown separately.

<sup>2</sup> Percent not shown where base is less than 100,000.

<sup>3</sup> Includes a small number of workers in forestry, fisheries, and mining, not shown separately.

TABLE M.—*Work schedule on secondary job by occupation of secondary job for persons at work on 2 or more jobs, December 1960*

[Percent distribution]

Major occupation group of secondary job	Total at work on 2 or more jobs	Work schedule on secondary job		
		Mostly at night	Mostly on weekends	Mostly during week-day working hours
All occupations.....	100.0	33.7	24.0	42.3
White-collar workers.....	100.0	42.5	24.9	32.5
Professional, technical, and kindred workers.....	100.0	42.9	28.7	28.4
Managers, officials, and proprietors, except farm.....	100.0	40.5	21.1	38.5
Clerical and kindred workers.....	100.0	40.7	16.5	42.8
Sales workers.....	100.0	45.3	28.3	26.3
Blue-collar workers.....	100.0	26.8	23.1	50.1
Craftsmen, foremen, and kindred workers.....	100.0	37.4	26.8	35.8
Operatives and kindred workers.....	100.0	25.9	23.5	50.6
Laborers, except farm and mine.....	100.0	13.4	16.5	70.1
Service workers.....	100.0	41.3	24.7	34.0
Farm workers.....	100.0	17.2	21.9	60.9
Farmers and farm managers.....	100.0	21.7	26.6	51.7
Farm laborers and foremen.....	100.0	.....	4.0	96.0

Mr. CLAGUE. If I might return—

Senator PROXMIRE. I might just say at this point that I do believe that Mr. Widnall made a very useful and constructive suggestion that we might be able to help some of the unemployment problem; the farmers who work off the farm, of course, we cannot very well expect them to give up this second job because this accounts for about, as I recall, close to one-third of their total income, and without it they would be really desperate.

Mr. CLAGUE. Yes. Mr. Widnall, I have agreed to skip over this early part of my paper in order to cover lightly the parts in which we are talking about the accuracy of our data so that we can soon get down to the policy questions you asked.

Senator PROXMIRE. I do not want to persist too much on this, but I just want to clarify this one point.

I understand that a person who works at unpaid work in a family store or on the farm is considered employed.

Mr. CLAGUE. Miss Bancroft will answer that.

Miss BANCROFT. If he works as much as 15 hours.

Senator PROXMIRE. All right. So a daughter or a son who works on the farm, and in most farms they work chores at least 15 hours a week, and often more than that, but has a second job, has another job, from which he gets his income, does not get anything from his dad who runs the farm, would be considered to have two jobs?

Miss BANCROFT. No; not if his major job, in terms of hours worked, is his job off the farm.

Mr. PROXMIRE. He would not?

Miss BANCROFT. In our figures he would not.

Senator PROXMIRE. He would not. Thank you. This is really common.

## THE 1953-54 SAMPLE CHANGE

Mr. CLAGUE. Perhaps my next comment might relate to the famous sample problem we had in 1953-54, when we changed the sample of counties which are taken as representative of the country.

I might emphasize that the families are changed right along all the time. I will describe that in detail if you would like, but here I would simply say that we do not stay with the same family indefinitely. There is a constant or continuous turnover of families. But the counties remain quite fixed for a period of time until we draw a new sample and make a change.

In 1954 when we were changing from the old sample of counties to the new sample, the old sample declined in quality. That was the time that the Bureau of the Census was somewhat short of funds. They did not get all the money they requested. They did not have funds enough to provide the supervision of both samples that should have been exercised.

As a result, the old sample went downhill to some extent, and the figures became different than the new sample showed.

This was reviewed by a committee of experts appointed by the Secretary of Commerce. They went into it very thoroughly and arrived at the conclusion that the error was not due to the fact the sample counties were being changed, but due to the fact that there had been poor administration on the older sample when they were shifting to the new.

Senator PROXMIRE. What was the date of this?

Mr. CLAGUE. What is that?

Senator PROXMIRE. What was the date of this?

Mr. CLAGUE. That was 1953-54; that shift was finally made in February 1954. It was being made in the later months of 1953 and in early 1954.

Senator PROXMIRE. That was an increase of 700,000 from one month to the next in unemployment.

Mr. CLAGUE. Miss Bancroft.

Miss BANCROFT. That was the difference between the two samples.

Senator PROXMIRE. Twenty-two percent difference.

Miss BANCROFT. They were both interviewed during the same week. The difference was that great, and was far beyond what you could expect from two samples of the same population.

Senator PROXMIRE. Did this committee include representatives of business and labor as well as Government experts?

Miss BANCROFT. There were three statistical experts, one of them was from a marketing research firm; one was from a labor union, and one was from Princeton University.

Senator PROXMIRE. Except for Mr. Daniel's challenge of this figure, do you know of any other challenges that have come to broad public notice?

Miss BANCROFT. Do you mean—

Senator PROXMIRE. I refer to the article in Reader's Digest which has become so—I'm going into some detail on this a little later on—but which has had such enormous publicity on it.

Miss BANCROFT. You mean challenges because of this changeover in the sample?

Senator PROXMIRE. Yes. He cites this specific example. He points out that there was a change in adjustment in 1954 which increased the unemployment estimate by 22 percent, by 700,000 people, and he argues, of course, this was an unwarranted increase.

Now, I am asking whether this is the first time, to your knowledge, that this attack has been made in—either by an authoritative expert or by somebody who had the access to the public that Mr. Daniel has.

#### MUCH PUBLIC CRITICISM AT THE TIME

Miss BANCROFT. Well, at the time of the change, of course, there was a great deal of public excitement and criticism because it was a very disturbing difference, and the Census Bureau made every effort to discover what the cause of the difference was. So I think if you look back at the commentary then you will find a great many criticisms.

But after the investigation was completed, it was, I think, settled to everyone's satisfaction that the difficulties had arisen not from errors in sampling but in operational problems in the field.

Senator PROXMIRE. So business and industry did not criticize this after the investigation was made; they accepted it?

Miss BANCROFT. That is correct.

Senator PROXMIRE. I see.

Miss BANCROFT. Now, we did have a criticism; was it from the chamber of commerce or NAM, that had a piece about 6 or 8 months ago?

Mr. CLAGUE. Yes. I think there was a criticism some 6 or 8 months ago. I think it was in a paper from the U.S. Chamber of Commerce which said that this shift of a sample of district could cause a change in the figures and in the discussion referred back to this old—

Senator PROXMIRE. Once again you go back over your figures and make corrections so that they are consistent?

Mr. CLAGUE. Yes.

Senator PROXMIRE. Or have you done that?

Mr. CLAGUE. Yes, we do; and I would like to say—

Senator PROXMIRE. That is the most important of all, I think.

Mr. CLAGUE. In this 1953-54 business, at the time this trouble occurred, I would say that the major questions arose within the Government itself from other agencies, the Council of Economic Advisers, the Bureau of Labor Statistics, and others. At the time this survey was under the Census directly, and was not in the partnership arrangement we now have with the Census, I would say that the Government people themselves were the first ones to raise the question as to what was wrong with these figures, and that is why, in addition to any outside criticism, an effort was made to find out which was wrong, which of the two series was wrong, and what was the cause of the difficulty.

The conclusion of the experts was that the new figures were the ones that were correct, and that the error was due to poor administration in the field.

I would say, on behalf of the Bureau of the Census, that at that time we Government people felt that they did not have enough money, that they had lost some of the funds they had requested originally

to do the work. Had there been adequate funds to do the work properly, I do not think there would have been any trouble.

Senator PROXMIRE. I do not want to persist too long. It does seem that is a fantastic error, 22 percent, due to maladministration, which is just amazing. You point out you only expect a maximum of a 5-percent error, as I recall, something like that—maybe it is bigger than that—but it is far less than 22 percent, certainly on the basis of any conceivable error that is likely to take place with this large a sample.

It is my understanding that Mr. Gallup argues, and the other pollsters argue, they can poll over 3,000 people, I mean 3,000 and 4,000, 10 percent of your household survey, scientifically selected, and come within, they say, a sampling error of 4 percent.

So this 22 percent—I do not want to persist too long on it, because this committee held hearings on this, as I understand it, in 1954, and the whole situation broke before this subcommittee, at least that was one of the provocative reasons for it—so that it has been corrected.

But I am still a little bit unsure on the basis of your testimony this morning that this can be completely attributable to maladministration or errors on the part of the incompetent census takers.

#### NOT "SAMPLING ERROR"

Mr. CLAGUE. Well, I would point out there are two different things here. The statement you are making from Mr. Gallup relates to the sampling error of the sample itself; in other words, how well does the sample represent the country?

The administration I mentioned would relate to the asking of the questions, how well the interviewer handled himself in interviewing the family, whether he took proper care in getting answers to the questions.

We have to assume, and we do assume that the Bureau of the Census makes a vigorous effort to insure accuracy; that the persons collecting this information, the agents, are honest and are careful; that they ask these questions correctly; and that they do a good job.

You could get wide margins of error if the agents do not collect the right information; but those errors would not be due to a sampling error. They would be due to poor respondent response. That was the area, am I not right, Miss Bancroft, that was the area in which this failed?

These agents were, some of them at least, about to be dropped because they were in districts that would no longer be in the new sample. So they were phasing themselves out of jobs, so to speak. It was in that area that the error occurred, not in the sampling area.

Senator PROXMIRE. All right. Proceed.

Mr. CLAGUE. Shall I go on?

Senator PROXMIRE. Yes, proceed.

#### HOW ACCURATE ARE STATISTICS?

Mr. CLAGUE. I think then I might go to the next point, which is the accuracy of the statistics, Mr. Chairman, where I touch on that. That really relates to the point you have just made.

People say the sample is very small. But, as you indicated, it is much larger than the polls that are taken; and, secondly, the polls

themselves are accurate, as people now know. Experts have discovered more and more, just how to take accurate sampling.

We publish the margin of error every month. When we say there are about 4 million out of work, we say that the chances are 2 out of 3 that the error is not more than 100,000 either way. So if you had taken a census of the whole country, the total would be somewhere between 3.9 million and 4.1 million.

Even if you want to go as far as 19 times out of 20, the true figures would still fall between 3.8 million and 4.2 million. You can be quite sure it is not 3 million or 5 million; that it is not  $3\frac{1}{2}$  or  $4\frac{1}{2}$ . These sampling errors are all made clear in our publications.

Of course, you have to be careful how you interpret such figures. For example, in October the unemployed numbered 3,834,000. The November figure was 3,990,000. That was an increase of about 60,000.

But when we interpret that to the public we say that the two are about the same; practically no change. That is all we can say because our margin of error might have been 100,000, and an increase of 60,000 might have been solely due to the sampling. So we are very careful, when we explain these figures, to emphasize that small changes should be treated as being about the same, and not necessarily being significant. If the change is larger than 100,000, it quite clearly is significant.

#### RESPONDENTS

I mention this question of respondents.

There has been a good deal of misinterpretation of that. This obviously is a crucial area, the collection of information from the family, asking the questions in such a way as to bring out the true facts in the family situation. We do not ask, as has been cited against us, "How many people here want a job?" Many people might want a job, but the question we ask is "Did they actually look for a job last week?" First we find out whether they did any work during the week. If not, we ask, "Was this person looking for work." Whether they would like to have a job at some time and under some circumstances is not the question.

I mention in my statement the extent to which the Census Bureau tries hard to make sure that the agents are accurate. I can speak for the Bureau of Labor Statistics and say that we have the same problem with information we collect from employers or the public. We check and recheck the actual responses that come in, and we train and retrain the agents.

Senator PROXMIRE. You say individually, and this means that you ask each person whether he or she was looking for a job?

Mr. CLAGUE. No. They would ask whoever was answering at the door. Miss Bancroft, do you want to describe that in more detail?

Senator PROXMIRE. I misunderstood. I thought you got an answer; you did not accept the testimony of the housewife or whoever answered the door. You do?

Mr. CLAGUE. We do.

Miss BANCROFT. They were supposed to—

Senator PROXMIRE. Except on their own, you accept their testimony with regard to everybody in the family, everybody who lives there?

Miss BANCROFT. If the person seems to be a responsible member of the household, the information is obtained from him or her; not from a child or from irresponsible people.

Mr. CLAGUE. Let us say the husband is working. He probably is not there during the day, so the housewife is answering for him. An unemployed person—

Senator PROXMIRE. What time of day do the enumerators call?

Miss BANCROFT. It depends a great deal on the type of community and the type of area in which they are carrying on their enumeration. If it is a suburban area they generally call, at least the first time, during the daytime.

If it is a working neighborhood where they have some reason to think the people will be out, they do not call until the evening, but they return to the household during the week as often as is necessary to get the information.

Senator PROXMIRE. Have you run a test to see if it makes a difference if you rely on the testimony of persons who were interviewed with regard to other persons, or if you simply relied on the testimony with regard to themselves?

Miss BANCROFT. It does make a difference, there is no doubt about that.

Senator PROXMIRE. Were you able to correct for this difference?

Miss BANCROFT. We do not adjust for this difference.

Senator PROXMIRE. How big a difference is this?

Miss BANCROFT. Well, I do not believe there is any overall figure on the amount of difference. It would vary, of course, with a particular question. Something like hours actually worked might be given more accurately, if you were talking to the worker himself.

Senator PROXMIRE. You do not think the error is in one direction or the other then? Because this "hours actually worked" is a mighty important statistic. We watch it very carefully.

Miss BANCROFT. I think a recheck would show when you go back, and talk to the person himself, you probably would show slightly smaller numbers of hours, because he remembers that he took a few hours off to go to the doctor or for some reason that his wife may not even know about.

But when it comes to describing his actual work status, whether he was working or not working, she can give you very accurate information of this.

#### WHAT QUESTIONS ARE ASKED

Senator PROXMIRE. The crucial question that you ask: "Were you seeking work?"—do they accept yes or no or do they go further and say, "Are you registered at the employment office?" Or "Did you apply at more than one employer's office to try to find a job?" Or do you just ask a general question, "Are you seeking work?"

Miss BANCROFT. In the regular survey the enumerators ask, "Was he looking for work; and they do not go any further unless the respondent raises a question, "Well, I did so-and-so. Do you count this as looking for work?"

But we have made checks from time to time in the past and asked people, who were reported as looking for work, what they actually did; and in the vast majority of cases they list one or more activities that would constitute looking for work.

Senator PROXMIRE. Why don't you ask them what they did?

Miss BANCROFT. Well, it is a question of cost and time as to how many questions you can ask.

Senator PROXMIRE. This is such a crucial question through this whole thing that if a person might say that he is looking for work and you found he did nothing or he cannot think of anything he did, that is one thing; on the other hand, if he is looking for work, I should think it would be easy for him to say that he went down to the foundry and talked to the personnel officer or he went to the employment office and looked to see if there was work.

I should think a specific act would be very easy for a respondent to describe and would be so crucial for the validity of the statistics that it would normally be asked.

Miss BANCROFT. I believe we would have done that if, in our checking, we had not found that there was very little, practically a negligible amount of, claiming to have looked for work without any real activity.

Senator PROXMIRE. Do you have a record of how much of a discrepancy there is? It would be very helpful for us if you could make it available.

Miss BANCROFT. Yes; I will look that up.

(The following was later received for the record:)

*Methods used by unemployed persons to look for work, August 1955*

[Percent distribution]	
Total unemployed:	
Number.....	2, 237, 000
Percent.....	100. 0
Checked with employment office.....	32. 5
Applied directly to employer.....	45. 3
Had interview.....	4. 1
Placed or answered ads.....	5. 5
Asked friends, contacted union.....	2. 5
Wrote letters of application.....	1. 3
Miscellaneous <sup>1</sup> .....	2. 7
No steps taken to look for work.....	6. 1
Waiting to hear from former employer or from earlier efforts.....	3. 1
Temporarily ill.....	. 6
Believed no work available.....	. 7
Miscellaneous reasons for not taking any steps <sup>2</sup> .....	1. 7

<sup>1</sup> Took test, read ads, taking training course for specific job, tried to start business.

<sup>2</sup> Temporary home responsibilities, weather, transportation difficulties.

Source: Bureau of the Census, Current Population Survey, unpublished tabulations.

Senator PROXMIRE. Fine.

Mr. CLAGUE. Then, I discussed briefly the question of seasonal variations.

SEASONAL ADJUSTMENT

Now, some of the public comments on our figures relate to the seasonally adjusted figures.

We have a large amount of unemployment in this country which is strictly seasonal. In fact, to illustrate in a rough way, if unemployment during the year averages 100 percent, February is likely to be



about 115, or 15 percent above the average; and October is likely to be about 80, or 20 percent below the average. So a lot of unemployment is seasonal.

Well, in order to gage the development of the business cycle, and the rate of long run growth, we devise a method of estimating the quantitative importance of this usual seasonal change from month to month during the year.

Then we use that seasonal factor to adjust the figures and so obtain a figure which is seasonally corrected, or the way the figure would be if there had been no seasonal changes.

Under those circumstances, we get a certain kind of—an analytical rate, so to speak. We produce each month a seasonally adjusted rate of unemployment. There has been some discussion about the methods of seasonally correcting the figures.

Mr. Chairman, I have a set of figures I would like to present to you, and which I would like to put in the record showing the new seasonally adjusted figures for 1960 and 1961, which we will use beginning in January 1962.

(The figures referred to follow:)

*Estimates of the seasonally adjusted rate of unemployment*

Date	Present rates using data through June 1960 <sup>1</sup>	Revised rates using data through September 1961 <sup>2</sup>	Date	Present rates using data through June 1960 <sup>1</sup>	Revised rates using data through September 1961 <sup>2</sup>
1960—January .....	5.3	5.3	1961—January .....	6.6	6.7
February .....	4.8	4.9	February .....	6.8	6.9
March .....	5.5	5.4	March .....	6.9	6.8
April .....	5.1	5.2	April .....	6.8	6.9
May .....	5.1	5.1	May .....	6.9	7.0
June .....	5.4	5.4	June .....	6.8	6.8
July .....	5.5	5.4	July .....	6.9	6.9
August .....	5.8	5.7	August .....	6.9	6.8
September .....	5.7	5.7	September .....	6.8	6.8
October .....	6.3	6.1	October .....	6.8	6.7
November .....	6.2	6.2	November .....	6.1	6.1
December .....	6.8	6.7			

<sup>1</sup> Figures currently published, based on the seasonal factors issued at the beginning of 1961.

<sup>2</sup> Figures based on seasonal factors revised to take later data into account, to be published at the beginning of 1962.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Mr. CLAGUE. I would like to make clear our policy in the Government: We derive these seasonal factors at the beginning of the year, and we apply them all during the year, January to December.

However, as the year (say, 1962) unfolds, new monthly data become available—March, April, May, June, and so on. If these are used to bring the seasonal correction factors right up to date, then you will get somewhat different seasonally adjusted figures for those months.

The way the unemployment figures are behaving in this current year 1961 will make some difference in the adjustment factors when we start to use them next year.

We have recently made one change in our plans for 1962. We have used the figures for seasonal adjustments through September. That is, we are using the latest data through September 1961 to get the new seasonal factors. I would like to present for the record the old factors

for 1960 and 1961 and also the new ones which we will apply beginning in January 1962.

Senator PROXMIRE. All right. Without objection it will be placed in the record.

(The information referred to is as follows:)

*Seasonal adjustment factors for unemployment*

	Male, 14 to 19 years	Male, 20 years and over	Female, 14 to 19 years	Female, 20 years and over
As published, for use in 1960 and 1961 (based on original data through June 1960)				
January.....	96.5	124.6	73.8	110.6
February.....	95.2	131.9	75.2	108.6
March.....	91.0	124.6	76.2	103.0
April.....	85.0	108.1	88.3	99.3
May.....	93.0	94.7	110.0	99.4
June.....	172.6	92.8	203.0	100.3
July.....	141.7	90.9	149.3	102.4
August.....	99.4	84.9	99.4	99.7
September.....	76.9	79.3	86.0	96.0
October.....	75.8	77.0	73.5	93.8
November.....	82.9	90.3	92.8	97.9
December.....	89.8	101.1	72.7	88.5
As updated, for use in 1961 and 1962 (based on original data through September 1961)				
January.....	93.0	125.3	73.2	108.1
February.....	91.1	128.8	73.8	109.0
March.....	94.0	125.2	79.8	106.1
April.....	87.0	105.5	89.0	100.2
May.....	94.3	92.9	109.6	98.2
June.....	176.1	91.7	212.0	101.0
July.....	139.7	91.5	142.0	104.1
August.....	101.4	87.0	97.6	99.4
September.....	77.8	79.5	86.7	93.1
October.....	77.4	78.2	76.4	93.6
November.....	80.3	90.4	88.1	97.8
December.....	88.6	103.6	72.6	89.6

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Mr. CLAGUE. I want to emphasize to you that the new adjustments make changes of only one-tenth of a point here and there in the seasonally adjusted rates; it makes a negligible difference.

THE 1961 PEAK IN MAY, NOT FEBRUARY

On the other hand, this difference happens to show that the high rate in 1961 was in May and not in February, as it was by the present adjustments.

But I must emphasize that in these unemployment rates it takes about three-tenths of a percent to be a significant change. So all these little one-tenth differences do not really indicate anything, perhaps, other than sampling error. We would argue that the figures, in general, show that there has been very little cyclical improvement in the unemployment rate until the last month, November 1961.

I discuss briefly the amount of detail that is available. We furnish a great deal of detail which you can see. We can answer a great many questions with these detailed figures.

Most of the criticism we get relates to the global overall total; but we like to emphasize that anybody who wants to ask a different ques-

tion can generally find the answers by looking into the details that we publish.

We believe that these detailed figures provide a depth and breadth of information that would be impossible to convey in the totals alone, no matter how employment and unemployment are defined.

Such details are even more important than the totals for analyzing economic conditions and for making policy.

I refer to the fact that the definitions of employment and unemployment, and the entire survey on which they are based, are under continuous surveillance by interagency governmental groups and congressional committees, including the Joint Economic Committee. In the coming months, the unemployment statistics are to be evaluated by a newly appointed presidential committee. I welcome and fully support this new study, because I am hopeful that it will lead to possible technical improvements and better public understanding of the figures. In the meantime, I am encouraged by the fact that over the past 20 years, only one relatively minor change in definitions has been recommended for the unemployment statistics. I believe this is because the existing definitions have stood the test of time, producing data which present a picture of unemployment during two wars and four business cycles that has logically fitted into the overall picture of how the economy was behaving. Moreover, this system of counting the unemployed—a system first developed by the United States, as I described earlier—is presently being used by Canada, Sweden, Japan, and several other countries and is basically the standard method recommended for all countries by the International Labor Office.

No one who works with the unemployment statistics claims that they are perfect. Although there has been a continuing effort over the years to improve the quality of the statistics and to provide additional information about the people who are unemployed, the desire for still more detail and new combinations of data persists. In fact, Mr. Chairman, in your letter to us earlier this year, you requested a paper presenting indexes of potential labor force time worked and lost which would reflect involuntary part-time employment for economic reasons as well as unemployment itself. Such a paper has been prepared by Miss Gertrude Bancroft, of the Bureau of Labor Statistics, and is included in the series of background papers issued by the committee on December 10. We think Miss Bancroft has done an excellent job, and we hope you will think so, too.

Now, going beyond the analysis of data already collected, our plans for the coming year include several major studies of the characteristics of the unemployed. For example, we plan to find out more about their labor force attachment, the relationship between the unemployment of family heads and the job status of other family members, and the longer term work history of the unemployed. In addition, we expect to conduct a fairly extensive study of the job mobility of workers during 1961 and the connection between mobility and unemployment. One further study that I might mention at this time is one being conducted in connection with the national health survey to determine the incidence of illness and disability among the unemployed and the employed.

In conclusion, I would like to say that we are most anxious to fill any reasonable demand for additional information about the characteristics of the labor force, the employed, and the unemployed. How-

ever, we are much more cautious and conservative about changing the basic definitions of unemployment.

By the way, Mr. Chairman, one of the papers which you asked us to prepare was by Mr. Hyman Lewis, who is our Chief of Labor Economics in the Department.

He prepared that paper on the definitions, the terminology.

One of the great difficulties in discussing employment and unemployment is the vast number of terms that are used with varied definitions by various people.

Mr. Lewis made some suggestions there as to ways in which we might try to make those definitions more refined and more precise.

Mr. Chairman, that brings me to your second question, the rise in unemployment during the postwar period.

#### CAUSE OF HIGH UNEMPLOYMENT SINCE 1957

Your second question concerns the high rate of unemployment since 1957 and its major cause. The recent high rates have capped what has appeared to be a persistent rise in unemployment following each business cycle in the postwar period. Mr. Robert Stein prepared the paper which we submitted to you, which is filled with tables analyzing that general situation. I'm just going to give you the highlights of it.

The unemployment rate averaged under 4 percent in 1947-48; in 1952-53 the rate averaged 3 percent under the stimulus of the Korean conflict; during the next peacetime cycle in the years 1955-57, the rate averaged about 4.3 percent. In the period of recovery from the recession of 1957-58, the seasonally adjusted unemployment rate never dropped below the 5 percent level, and at this point, some 9 months after the trough of the current recession, the rate of unemployment is still about 6 percent.

Senator PROXMIRE. Let me ask at this point, in your experience, isn't this an almost unique situation that long after recovery has set in that the unemployment is still this high? I am not talking about the absolute amount, I am talking about its relationship to the unemployment figure seasonally adjusted earlier in the year.

You see, what surprises me is the fact that it was so tremendously constant. I have never seen such constancy. From December of 1960 up until October of 1961 it did not vary between 6.6 and 6.9, seasonally adjusted; was precisely 6.8 or 6.9 in every one of those months except one, and it went at that time to 6.6

It would seem to mean in view of the fact that the President has just announced down in Miami that we had an increase in gross national product of \$40 billion, 8 percent, and in view of the arguments made by Mr. Heller in a recent speech in which he said that the adjustments were slow because usually the hours were extended, No. 1; and No. 2, you get more productivity per man as you get into a recovery period, and No. 1 does not stand up at all.

We have had an increase since February of only 2 percent in hours, only 1 percent since April and, therefore, it seems to me that up until this last month, when we have this sudden improvement, but still above 6 percent unemployment—that this just seems on the surface, without having your expert experience and background—it seems extraordinary and very, very perplexing.

Mr. CLAGUE. Well, in the first place, it is correct to say that the hours do expand more rapidly in a period of business recovery, and they have to some extent in this period.

In the second place, quarterly productivity figures—and we should use them with great care because they are not as accurate as annual figures—insofar as we get any leads at all from the productivity figures, the indications are that output per man-hour has been rising at an exceptionally high rate the past two quarters.

This is not exactly unusual, either. Large increases in productivity have occurred in previous business recoveries, although perhaps not at quite as high a rate as in 1961. In a period of business recession, the businessman lays off any unnecessary labor that he can. He cuts back to save costs. He may use some of his labor to do repair work and get the factory in shape.

Then when business recovery occurs he takes on people only as he needs them to take care of the expanding production.

Under those circumstances you can get some very high productivity figures, and we have had some very sharp increases in recent quarters—

Senator PROXMIRE. Have you a comparative analysis though? You see, when you look at these hours, I am talking about the economic indicator—look at the hours in April of the past year, 39.7 for all manufacturing industries, and in October 40.1. That is an increase of four-tenths of an hour, about 1 percent during a period when the gross national product was going up at a far more rapid rate.

Mr. CLAGUE. Yes.

Senator PROXMIRE. Perhaps we are getting into a situation where technological changes and automation are happening so rapidly that we are getting terrific increases in production—at least, in the manufacturing sector of our economy—without having the jobs available for people.

Mr. CLAGUE. Well, there are two ways to look at that, and I must emphasize this:

First, from the first quarter of 1961, which was the bottom of the recession, to the third quarter (July, August, September), the output per man-hour for the entire private economy, according to the figures we have, increased by nearly 7 percent.

Now, I emphasize that these figures may not be exact, but they do indicate the magnitude of the change.

Senator PROXMIRE. That is a big increase compared to the increase in hours, particularly in view of the fact that prices were pretty stable. This was, perhaps, corrected for price changes anyway.

But the fact is prices were reasonably stable.

Mr. CLAGUE. Yes. From the third quarter of 1960, which was when we were in the previous business peak, or just starting to go down, to the third quarter of 1961, the increase in output per man-hour was about 4 percent. So it shows that within this last year, and particularly in the last 6 months, we have had a very favorable picture on output per man-hour; that is, there has been a good deal of increased production without a corresponding increase in employment.

But we should not be misled by that. If we look back over the years, we do not see any evidence in the Bureau of Labor Statistics that, taking our figures for the last 5 years, there has been any great degree

of increase in output per man-hour for the private economy as a whole.

So that this recent rate will not continue; that is what I mean, Mr. Chairman—

Senator PROXMIRE. I see.

Mr. CLAGUE (continuing). That this spectacular increase of the last 6 months, if it turns out to be the right figure, will not continue at that rate from now on. If the gross national product continues to rise, it is bound to bring some employment with it. That kind of an increase will not continue indefinitely.

It is partly due to our coming out of the recession.

#### RAPID INCREASE IN LABOR FORCE

There is one other point that also should be taken into account. We are having a more rapid growth in the labor force now than we had before.

In the 1950's we averaged an increase in the labor force each year, although the growth was very uneven from year to year, of about three-quarters of a million workers a year. But in 1961 over 1960 we have had an average, over the whole 11 months to date of well over 1 million increase in the labor force; and this increase is going to get bigger as the years go by.

So that this other factor should also be taken into account. There are more workers seeking jobs.

Senator PROXMIRE. Have you made any analysis of this? There is a difference, I presume, between a person who is not in the labor force because he is a child, and a person who gets into the labor force and becomes a producer but also, more important, a consumer.

What I am saying is, we always hear about the labor force expanding, and we look at it in terms of its being a problem, which it certainly is, an employment problem.

But as a man gets a job, as he leaves his home, he becomes a very important aspect of our consumer and consumption pattern, too, does he not?

Mr. CLAGUE. Oh, yes; that is right.

To some extent, employment brings the wages that justify the employment, so to speak; in other words, the job creates an amount of purchasing power due to his working and drawing wages.

Senator PROXMIRE. Has anything been done with this fact? Has there been an attempt to analyze this fact of the relationship between the expansion of the labor force, that is, the expansion of jobs—

Mr. CLAGUE. And the growth in the labor force?

Senator PROXMIRE. That is right.

Mr. CLAGUE. Yes.

When I was making studies a quarter of a century ago, we thought at that time, and I think there may be some ground in it yet, namely, that in times of severe unemployment, the housewife comes out, the young boy quits his school and goes to work, and you get an actual expansion of the labor force, even though jobs are declining. This is because one person has lost his job, and now two people in the family are looking for work.

Some little evidence we have recently would indicate that in the severely depressed areas in the United States today that something of this seems to be occurring.

Senator PROXMIRE. I am thinking of it from an overall economic standpoint. That as you increase the labor force and people enter it, and whether they get jobs temporarily or permanently, they become not only more important in terms of a bigger labor force looking for work, needing work, but they also become more important as spending units.

Mr. CLAGUE. Oh, yes; yes.

Senator PROXMIRE. And, therefore, you have this buoying up the economy.

Mr. CLAGUE. That is right.

Senator PROXMIRE. You have it on both sides.

Mr. CLAGUE. That is right.

An expanding labor force, if reasonably fully employed, will expand the production of the economy; those two go up together.

I thought you were referring to the other point, that sometimes a business expansion will eventually, as we near prosperity levels, bring in a lot of additional workers to the labor force. There are large numbers of the labor force who are only attached temporarily, or on a part-time basis during the year, many people who are on the fringes, so to speak, millions of them as a matter of fact.

Now, sometimes it happens that a great wave of prosperity will not necessarily reduce unemployment as much as you might think, because new workers will enter the labor force to get those jobs.

Senator PROXMIRE. Housewives and so forth.

Mr. CLAGUE. Housewives, and so forth; and you get a big expansion of the labor force following the rise in business.

Now, we might get this in the future. If we get a very good year in 1962 you might find that a number of people who now say they are not in the labor force at all, are not looking for work, will join the labor force and expand it and, thereby, again create some unemployment among those already in.

Senator PROXMIRE. Mr. Widnall.

Representative WIDNALL. If you would yield, I think a very interesting change in business promotion which has taken place recently has been the catering to teenage earning power and buying power, and even the development of the teenage charge account; in some homes—

Mr. CLAGUE. Yes.

Representative WIDNALL. In some homes it becomes rather a wicked business. But there really is a tremendous amount of earnings in that category, teenage category.

Mr. CLAGUE. Certainly.

Representative WIDNALL. And many, I think, have available more money to spend because their homes are provided for them by the parents themselves.

Mr. CLAGUE. That is right. Just as an indication of a statistic, last summer we spoke about the large number of youngsters who entered the labor force in the month of June. There were 2.5 million more teenagers in the labor market; 1.6 million of them had jobs by the middle of June; 900,000 did not, and these swelled the unemployment figure.

More than 1.6 million youngsters drawing pay in that month of June would certainly add a good deal to the spending power of the Nation.

#### UNEMPLOYMENT CHALLENGE WILL CONTINUE

Senator PROXMIRE. May I say what you just said really indicates we are going to have much more of a problem in the future than you might think. The fact that we have had this heavy unemployment, nearly 7 percent unemployed during the past year, has been keeping the labor force down, and as we struggle ahead and try to move toward 5 percent, 4½, and 4 percent, more and more people are going to come into the labor force, and the jobs necessary to do this are going to be greater than we had estimated, if you could assume a static labor force, I mean if you could assume a normal increase based on an increase in the population, based on the number of teenagers, and so forth.

This is much more of a problem than simply having a large proportion of people who are now in the 14 to 18 or 10 to 18 category coming in in the next 10 years, you are going to have more than that if we begin to solve our unemployment problem the way we hope we will.

Mr. CLAGUE. Yes, Mr. Chairman.

#### OLDER AND RETIRED WORKERS

I might mention another group that is going to come in in increasing numbers, and that is the retired or, if you want to call them, the semiretired.

Last year the Congress reduced the retirement age, the potential retirement age, for men to age 62 under social security. Many of these workers who are retired under social security also want to work; they want to earn the amount of money that they are permitted to earn without having their social security deducted.

Senator PROXMIRE. I have been arguing it is not going to help us, and I hope it is, but I run into it all the time in Wisconsin where workers at plant gates say, "Proxmire, why don't you get the retirement age lowered?" "Why don't you get it down to 60." They say, "When you do that our jobs will open up for younger people who want to take them."

Isn't there a bit of wisdom in that? Isn't there an opportunity for this to happen?

Mr. CLAGUE. There is no doubt you have offered an opportunity by reducing the age to 62, even though they take reduced benefits. You open up a retirement opportunity for people in that age between 62 and 65 which is a pretty hopeless age for some of them trying to get back into the labor market. Because of their education and training, they may be choosing to retire from the labor market. A lot of those retired people do try for part-time work.

Senator PROXMIRE. I see.

Mr. CLAGUE. Many people beyond age 65 are in the labor market. Many of them are trying to find work that will just piece out their retirement income. They hope that more part-time work will develop in the economy. When they are looking for a job at present, we call them unemployed. We may identify them separately in the future, in order to show the public how many of these people there are. They are not very numerous at present, and so they do not affect our unem-



ployment figures very much. Perhaps something like 35,000 actually retired older people looking for part-time work will be counted as unemployed. There are about 3 million people beyond the age of 65 who are at work, either full time or part time, quite a large number.

But as more and more people retire, and if they feel their benefits are inadequate, they will be seeking part-time work and some will become unemployed, seeking part-time work.

Representative WIDNALL. Senator, I would like to make this comment. You just said back in Wisconsin you received these pressures to lower the retirement age.

I have had those, but I am getting far more pressure to raise the amount you can earn when you are getting social security, indicating that the people who are retired want to work and don't want to stay out of the labor force.

As medical science projects a healthy life after retirement in the years to come, we are going to have more of a problem in lowering the retirement age.

Senator PROXMIRE. I think it is hard to generalize without having the information. You have both factors, I agree. I have all kinds of mail on that. There is a lot of merit, as I am sure you agree, to raising the amount that can be earned while you are on social security. But it would be interesting to see the number of people retired—I understand the average age of retirement for people who receive social security is well beyond 65.

Mr. CLAGUE. Yes.

Senator PROXMIRE. It is close to 68.

Mr. CLAGUE. Yes, it is.

Senator PROXMIRE. Nevertheless, as you cut it back to 62, there would be more people than otherwise who would retire and take advantage of it.

Mr. CLAGUE. Yes.

Senator PROXMIRE. But any study of this would also give us useful information and, perhaps, something has been done in this.

Mr. CLAGUE. I will say it cautiously, but I think the Social Security Administration is making a survey of earnings and conditions of people who are retired under their system.

Senator PROXMIRE. Incidentally, I presume this is one of the reasons why, I believe, organized labor still opposes this, although you might think they would favor it. They oppose it because they feel if you permitted people to earn an unlimited amount, it might result in more joblessness, because there would be a bigger labor force and more pressure on the available jobs.

Mr. CLAGUE. Yes.

#### STRUCTURAL CHANGES AN IMPORTANT FACTOR

Toward the end of my prepared statement, I present the point of view that structural changes which have been taking place in recent years have had some influence in causing higher rates of unemployment. In my judgment, this is a factor which cannot be ignored.

First, I would like to describe the kinds of occupational and industrial shifts that have been occurring in the economy over the past decade or so and discuss some of their implications for the employment situation. Much of this is not new to you. These long-term develop-

ments have been well documented in publications of the Department of Labor, as well as in special materials prepared for the committee. These trends have an important bearing on our current economic situation as well as implying much for the future.

Possibly the most dramatic shift in our economic structure in recent years has been the relative decline of employment in goods-producing industries—including agriculture, manufacturing, mining, and construction—and the continued rapid expansion of the service sector of the economy—especially trade, service, and State and local government. Of course, the decline in farm employment has been a long-term trend. At the turn of this century about one-third of the labor force were on farms; today the proportion is less than 10 percent. This shift has continued to be an important factor in the labor market in recent years. Since the end of World War II, a net average of about 200,000 workers have shifted out of agricultural employment into the nonfarm jobs, or out of the labor force, each year.

The lag in the trend of growth of manufacturing and construction, and the actual decline of employment in mining, has been of somewhat more recent origin. Since the end of World War II, manufacturing, mining, and construction as a group have increased by 18 percent, as compared to an overall increase of 30 percent in total nonagricultural wage and salary employment.

In general, the relative decline in the importance of employment in these goods-producing industries has not taken place in a smooth secular pattern. Rather, these industries have been severely hit in the contraction phase of each of the postwar recessions, and have recovered employment more slowly than the economy as a whole in the postrecession periods.

In contrast, the service-rendering industries, especially trade, service, finance, and State and local governments, have either continued to expand employment or have dipped only slightly in the contraction phase of each of the postwar business cycles; sometimes they show only a slowdown in their rate of growth.

I might supply some figures there.

From 1948 to 1960 this service group increased, on the average, 700,000 workers employed per year; and since 1956 it has been growing at an even faster rate. So this is the big expanding employment sector of the economy.

In part reflecting these trends, and in part because of the changing occupational composition of each industry, there has been a dramatic shift in the pattern of employment in the United States. White-collar and service jobs have expanded sharply while manual occupations have become less important as a source of employment. Even within manufacturing industries the employment gains that have occurred were relatively much greater among nonproduction (white-collar) workers than among production workers, who are the plant workers.

As a result, by 1956, white-collar and service workers for the first time outnumbered manual workers in the economy as a whole.

Of course, shifts in the occupational and industrial pattern of employment are nothing unusual in a dynamic economy. They appear to have been occurring throughout our history, in periods of prosperity and depression alike. The particular occupational and industrial shifts of the postwar years appear to have been more difficult to effect smoothly for a number of reasons. Many of the occupations that have

been expanding in recent years—professional and technical, administrative, and the higher clerical jobs—require education, skill, or training not possessed by the workers, frequently unskilled or semiskilled, who were disemployed in industries not expanding as rapidly as the economy as a whole or which, like mining, were actually contracting.

As an example, within the manufacturing sector, the unskilled and semiskilled occupations have been hit hardest by recessions and have grown least in periods of expansion, while the white-collar technical, administrative, clerical, and sales jobs, not generally available to those laid off, grew at a rate half again as fast.

Senator PROXMIRE. Do you have any studies showing this in detail?

Mr. CLAGUE. Yes; we have. In fact—

Senator PROXMIRE. I know these statistics are available in Tobin's study, for example, of structural unemployment. He had 20 percent of the unskilled, as I recall, at one point were out of work.

Of course, there is a far smaller proportion of the skilled. But what I am talking about is within the particular industries.

For example, in the steel industry, as I understand, which has automated rapidly, and the automobile industry has automated, and they have cut back.

Mr. CLAGUE. Yes.

#### IMPACT OF AUTOMATION

Senator PROXMIRE. In automating, why is it the unskilled workers—after all, people who work in steel and autos are fairly—most of them are at least semiskilled, are they not?

Mr. CLAGUE. I think you would have to call them semiskilled, Mr. Chairman. It requires a certain skill to do that work. But it is repetitive. It is a repetitive kind of work in which the person works on a belt line, and does a certain kind of repetitive job, the kind of job which has been eliminated by the mechanization which has been introduced.

So it is, perhaps, the semiskilled occupations in those industries that are declining in numbers.

In a conference at the Department of Labor recently, the president of a large concern stated that he is now having men laid off with 18 years of service. This concern is not producing autos or steel, but it is in heavy industry.

Durable goods industries are the ones which expanded more rapidly during the war; they expanded again during Korea; and they expanded once more during 1955-57—expanded in employment, I mean. They do not have to expand their employment now to take care of the demand that exists for those particular products.

Senator PROXMIRE. Are you beginning to find even in the clerical operations an automation through IBM machines, and so forth, that can do tabulating and filing and all kinds of things with pretty impressive efficiency, and eliminating jobs? I have seen them in a number of plants.

Mr. CLAGUE. Oh, yes. But it is just beginning there, and I would say—

Senator PROXMIRE. This is something in the future, then, we might watch.

Mr. CLAGUE. Oh, yes. A lot of people are raising questions as to what may happen to the rapidly expanding clerical and service jobs of various kinds as automation begins to take effect there.

But right now it is having a negligible effect on the growth of those particular occupations.

On the other hand, where you have industries which have grown very rapidly for the past 20 years and are now having some moderate increase in production—steel production will increase in some future year higher than it has ever been—in those industries the automation or productivity programs designed to increase the output per man-hour will offset increases in the number of workers they employ.

Consequently, the increases in jobs are in these white-collar fields. That is why we have unemployed steel workers, auto workers, machinery workers, builders of construction machinery, machine tools; that is to say, the durable goods industries of the country. Very few of them are growing very fast today.

Senator PROXMIRE. You do not mention one factor which some economists, and most businessmen, seem to feel is a big factor in automation and unemployment, and that is as wages are pushed up—and they have been pushed up rapidly because there are strong, militant unions in steel and autos—the incentive for providing automation, providing there is laborsaving, is substantial.

Mr. CLAGUE. Yes.

Senator PROXMIRE. Whereas you have a much weaker representation or no representation at all in some of these white-collar categories, so the incentive for saving labor by introducing expensive IBM equipment might be less.

Now, while this is a red hot political difference which is understandable between labor and management, have there been any objective studies made by people in the Department of Labor which might give us some illumination?

Mr. CLAGUE. No; not exactly on that point.

These heavy industries, which have had a heavy demand, were devoting their attention to automation long before they reached a position of declining employment.

In fact, an industry which is experiencing a rapid increase in demand for its products, and at the same time is actually expanding its employment, is often the place where automation gets introduced first. The management wants to take care of their expanding sales and expanding markets, so they introduce automation to supplement the work of the workers.

They try to match the rising capital investment with the rising labor investment they are making.

When growth stops, however, when it levels off, so that there is a smaller rate of increase, then the automation, the machines and the mechanization, are available. Now they can take care of the increased production without any increased employment. If production declines, there will be substantial unemployment.

I think that is more the way it has actually happened. I do not—

Senator PROXMIRE. Is it not true when somebody decides whether or not to buy a laborsaving machine you calculate how much you save on the basis of the kind of wages you have to pay, expect to pay, in view of your labor relations situation, and then you determine whether you can pay for that machine in 5 years, or 4 years, or whatever length of time you think makes it worthwhile to buy it or not to buy it?

Mr. CLAGUE. Yes; that is right.

Senator PROXMIRE. Provided, of course, you have the capital. So that wages would be a factor in this mathematical formula that I would think any efficient business would have to apply.

Mr. CLAGUE. The wages in relation to the productivity of those particular workers.

Senator PROXMIRE. Right.

Mr. CLAGUE. And that is correct.

The labor costs—in other words, if the labor cost is high, machines will tend to be substituted more quickly than if the labor cost were lower.

Now, sometimes a very high wage worker may nevertheless be a very efficient worker, and you would not want to substitute a machine. I am not talking about efficiency in the narrow sense there. But take a research engineer; you would not try to get any machine to substitute for him, even though he is getting \$25,000 a year, because his contribution to the future of the concern might be so important that he is cheap at the price.

But I am really trying to agree with you on this point, namely, as long as you confine the problem to labor costs. When those costs are high, mechanization will be introduced as rapidly as the business concern can afford it.

#### DATA ON WAGES

Senator PROXMIRE. Do you have any record as to what has been the increase in the wages of white-collar workers, that is, on unorganized jobs, compared to those in manual and organized jobs?

Mr. CLAGUE. Yes, sir. We have a great deal of information on wages, Mr. Chairman. Unfortunately, it does not go too far back. Wage rates and salaries are what I am referring to. Within the last 2 years, we obtained funds to make surveys of wages and salaries in 80 cities throughout the country. Then for the first time we began publishing every year the wages and the salaries in white-collar and blue-collar occupations, year by year. But we do not have a long series of data on that point. We will know more about it as we develop the information over the years.

However, from my knowledge of secondary data of various kinds, I would say that salaries also have increased rapidly, even in wholly unorganized trades. While we are impressed a great deal with the high wages in some of the highly organized industries, a comparison of increases over a period of 10, 15, or 20 years, does not show as much difference as you might think. In other words, stenographers have also increased rapidly in salaries, say, since 1939.

Senator PROXMIRE. There is certainly a relationship. In other words, as people get paid more in unions, and there is any alternative choice between jobs, there is a pressure, a tendency, for people who work, especially for the same company, to find that their wages have to go up; union organization possibilities is one reason, perhaps. Another is because there is an opportunity, especially for women, to work either in the factory or in the office, and that kind of thing.

Mr. CLAGUE. Yes.

Senator PROXMIRE. In connection with this whole thing there is just one thing I would like to ask about, too. Is it not said that these high wages have caused unemployment because it is difficult for us to compete especially with the terrific growth in Western Europe

and the Common Market competing with us so effectively in world trade, and coming into our domestic market here, that high wages have led to unemployment because they have pushed up prices, and have priced us out of the market? Is there any information on that?

Mr. CLAGUE. Well, there are a number of studies being made of the impact of foreign trade. Scattered information is available.

Senator PROXMIRE. I am interested in the impact of wages with regard to jobs.

Mr. CLAGUE. Yes.

Speaking in a very broad way, what has happened is that in Western Europe industry was greatly destroyed by the war.

In the first 5 to 10 years after the war American industry could sell almost anything, because European industry was not able to produce much, not enough to satisfy their own needs.

In the intervening years they have now achieved a much more productive enterprise over there. Their productivity, or output per man-hour, is increasing, and so are their wages. But, at the moment, their productivity in relation to wages is gaining faster than ours. So their labor costs are probably lower than ours, and are not advancing as fast. Wherever that happens, in whatever sector of trade or industry in this country they begin to experience competition coming from abroad.

Representative WIDNALL. Mr. Clague, taking the steel industry as an example, do you have any figures that show the impact on employment on that industry by the importation of steel?

There has been a marked increase in that percentagewise, and that certainly must be removing jobs from our employment over here or from our full employment in the steel industry.

Mr. CLAGUE. Yes.

Well, of course, the steel industry is exporting much more than it imports. Of course, they have been exporting a great deal and importing a great deal.

Now they are importing some more and exporting, I think, somewhat less, although I am not quite sure about that, but the amount of imports in steel yet, as compared to the total volume of exports in steel is still lower. That is to say, there are still more exports going out of this country in steel than imports coming in.

Senator PROXMIRE. But exports, insofar as any argument is concerned is distorted as against wages because some 77 to 80 percent of our foreign aid results in purchases in this country, particularly in regard to things like, well, military assistance and so forth.

Mr. CLAGUE. Yes.

Senator PROXMIRE. And, in addition to that, of course, we have troops abroad who are, by and large, supplied and so forth, from this country.

Mr. CLAGUE. Yes.

Senator PROXMIRE. So that the exports would have to be pretty drastically corrected to take out this factor before we can make any sensible economic analysis to indicate where we go as these Western European countries get into this foreign aid act, we think, and we get a different indicia in the future.

## WAGES AND IMPORTS

Mr. CLAGUE. Yes, that is right; it is a mixture of a number of factors, and it is hard to separate out each particular one.

As a general principle, I would like to say to Mr. Widnall that where you have in this country an operation that takes quite a good deal of labor—in other words, where the labor costs in that particular operation are high, say, 40, 50, or 60 percent of the final cost of the item—in that case, our wages are usually so much higher than Europe's that the Europeans will be able to undersell.

Where you have a situation in which the labor cost is relatively small, or where our productivity or output per man-hour is very advanced, then you will often find we can undersell them even over there.

It is still true that you can ship coal from the United States to Europe and undersell most of the coal-producing countries in Europe, even though our wages in coal are five to one on theirs. That is because we produce 11 or 12 tons per man per day, and they produce 1 or 2.

So it is a question as to whether high productivity offsets the wages; in other words, whether high wages are validated and sustained by high productivity. That gives the employer low labor costs, and he can compete at home, and perhaps even abroad.

If, on the other hand, high wages are not accompanied by a corresponding high productivity in the United States then, of course, the lower wages in foreign countries will enable those employers to enter the U.S. market.

Senator PROXMIRE. Maybe it would save time if I asked this question now instead of waiting until later, Mr. Clague, because I think that you can explain it, perhaps, as you go along. But I have here the report of the Commission on Money and Credit in which they say, and I am sure you are familiar with this statement, and this relates very much to your job and the hearings we are having this morning:

Unfortunately the data are not now available to estimate the current number of job vacancies and the proportion of unemployment attributable to inadequate demand as compared to structural, frictional, and seasonal causes. While it may not be possible to attain precise quantitative measures of these magnitudes, it is imperative that far greater effort and funds be devoted to acquiring better information. The Government should institute a major program to identify the precise kinds of unemployment information needed as an adequate guide for policy decisions and then to acquire the data on a timely basis.

It goes on to say:

Neither the crude data for the years since 1952 when unemployment averaged nearly 5 percent and the consumer price index rose at an average rate of 1.4 percent per year, nor the more elaborate statistical studies of past relationships of prices and employment are a firm guide for the future.<sup>1</sup>

This was one of the statements, I think, which influenced us in deciding to have these hearings, and the disputes that have developed between very influential Government economists and others as to the impact of structural and demand unemployment.

It seemed to us that we are not very clearly illuminated by the statistics available, and that is why I thought just as you get into this

<sup>1</sup>The report of the Commission on Money and Credit, "Money and Credit, Their Influence on Jobs, Prices, and Growth" (Prentice-Hall, Inc., 1961), p. 39.

subject that you might be able to tell us how far we have gone, what other information we need, what studies we need that we do not have.

Mr. CLAGUE. Yes.

I have mentioned a number of those studies already.

We did get funds last year, which we are using this winter, to derive more information concerning the unemployed, particularly the labor force attachment of these occasional or part-time workers in the labor force.

We are trying to get a little more information on secondary unemployment, the unemployment of the secondary wage earner in the family. Conversely if the head of the family is out of work, is there a secondary wage earner working? The figures on individuals does not show the situation of the family, which is very important. We hope to get some more information on the family and unemployment in our surveys. These surveys are now being planned and will be undertaken shortly.

Another study, which has always been one of my favorites, is that of getting a record of an unemployed worker's previous experience, not taking him just as he is this month, but rather finding out what was his work pattern (or her work pattern) over a period of years.

Miss Bancroft has just been up in Philadelphia making a pilot testing of a survey we expect to do early next year. We hope to get reports of 5 years of experience from the unemployed. This should enable us to judge their degree of attachment to the labor force, and to get a picture of the extent of which unemployment is concentrated in a relatively smaller proportion of the labor force.

#### NEED SPECIFIC INFORMATION ABOUT THE UNEMPLOYED

Senator PROXMIRE. This is exactly the kind of information we need. Who the unemployed are, why, what their whole background has been.

Mr. CLAGUE. That is right.

Senator PROXMIRE. What is keeping them from getting a job. What can be done in terms of Federal Government policy to assist them to get a job.

We do not have that kind of information now, do we, in any substantial way? How expensive would it be, or how much time would be required to make a satisfactory study? I presume if you do it in detail on individuals, it is going to be a long time or take a tremendous number to get an adequate sample.

Mr. CLAGUE. Well, no. We would chose a special sample for this study.

Senator PROXMIRE. How representative would that be of the country?

Mr. CLAGUE. We would hope it will be completely representative. Well, I am not sure about that. I had better ask Gertrude Bancroft.

Sometimes we want to make a rather detailed study in a particular area, where we would want to take a good-sized sample in just one area in order to get good detail.

Senator PROXMIRE. In other words, that might be more representative of the country.

Mr. CLAGUE. That would be getting at the question of how people behave in severe unemployment conditions, where these exist in certain towns and cities.



Senator PROXMIRE. I am afraid you would have to go even further. How do they behave in a particular area of West Virginia if they had been miners and had the particular peculiar circumstances surrounding them? And this may not apply at all to northern Minnesota or northern Wisconsin, where you have an entirely different kind of a situation, or a southern farmer who cannot make a living on the farm and has come into the city.

Mr. CLAGUE. Yes.

Sometimes these partial studies are very useful in throwing light on a sector of the problem. But the particular one I mentioned Miss Bancroft says is a nationwide sample.

Do you want to say a word on that Miss Bancroft?

Miss BANCROFT. It is going to be conducted for us by the Census Bureau, early next April.

They are putting into operation a supplementary panel to the regular monthly sample which they expect to use, perhaps quarterly, for other types of surveys, and also for getting additional information on the labor force.

This will be its first month's operation, and the sample will be about half as large as the monthly sample, that is, it will be about 17,500 households. We expect—

Senator PROXMIRE. How many households?

Miss BANCROFT. 17,500. We expect to have out of that about 4,500 cases of unemployed persons, and in this case—

Senator PROXMIRE. Can you make the questions available, the questions that will be asked?

Miss BANCROFT. We can do that as soon as we have finished revising our pretest schedule.

We found there were some difficulties with that, and I think it would be better to give you the final version.

Senator PROXMIRE. When would that be available?

Miss BANCROFT. I would think within a few weeks, or we can give you this original one—

Senator PROXMIRE. Well, we will just have to check and see how long the record will be open, but we will work that out.

Miss BANCROFT. In this study the census enumerators will talk to the person himself.

Senator PROXMIRE. So this will not be, you will not go into a home and talk to one person about the two or three other people who might work, in the home?

Miss BANCROFT. That is right.

Senator PROXMIRE. Let me just ask, when you get your 35,000, does this mean you have talked to 35,000 different households, or do you talk to a number of households which would affect 35,000 workers?

Miss BANCROFT. No; it is 35,000 households. It is more than twice that many persons.

Senator PROXMIRE. So in other words it would include about 70,000 more or less people?

Miss BANCROFT. Yes, including both workers and nonworkers. There is an average of slightly more than one worker per household.

Senator PROXMIRE. At this point I do not want to delay it because we do have a lot of ground to cover, but what is the figure, how much more than one, is the average household?

Miss BANCROFT. Just about 1.3 or 1.4.

Mr. CLAGUE. About 1.4 workers per household.

Senator PROXMIRE. Well, we can correct that figure later on.

Mr. CLAGUE. About 50,000 would be the actual number of workers.

Senator PROXMIRE. 50,000, 35,000—all right, I see. Proceed.

Representative WIDNALL. Mr. Clague, I might ask you this question, this is like asking you have you stopped beating your wife, but don't you think that the recent Supreme Court decision is going to make it much more difficult to get accurate information through the Census Bureau when they go out in the field?

Mr. CLAGUE. Well, I do not know that I should speak for the Census Bureau on this, but we in the Bureau of Labor Statistics are also involved indirectly, because we rely completely on voluntary information. This point does not apply to the particular material we are talking about here this morning, but in our other statistics we deal wholly voluntarily with the employers; they only report to us if they wish to do so.

Mostly, we get very good cooperation; otherwise we would not be in business.

We are somewhat concerned about this, because we fear that it may result now in employers saying to us, "Well, I can't furnish you this information because, in spite of your pledge of confidentiality, there is some other agency, a regulatory agency, which may call on me for the figure."

We do not know how serious this will be. Of course, one method of dealing with it would be for the employer not to keep any record of what he gave to the Census or to us. But usually they do keep it. We give them a copy, so that they can keep it on record, and in that sense there is a risk.

But we are hoping for the best.

Representative WIDNALL. I realize this probably does not belong in this hearing today, but I think it is something that can have an effect.

Mr. CLAGUE. It might have an effect.

Representative WIDNALL. On the accuracy of your figures.

Mr. CLAGUE. Yes.

I might mention two more points, in answer to the chairman's question. One is that we are going to repeat in 1962 a study that we did for 1955 on the relationship of unemployment and mobility. This is a rather important area, because a good deal of unemployment in the distressed areas is due to immobility of workers. They do not find jobs where they are, and they do not move.

#### JOB VACANCIES

You asked one other point, Mr. Chairman, namely about the unfilled jobs. There has been a great deal of discussion about whether one can get a picture of vacancies.

Great Britain had quite a successful statistic of this sort, but it was during World War II, and again during the Korean war, when they required all employers hiring people to put their orders through the local employment offices.

In that way, an employer with a valid opening had to put his request on the line, when he requested permission to hire. So the Government obtained some pretty good figures on vacancies.

But even in Britain that has now become less satisfactory, because through newspaper ads, and by visiting at the plants and in other ways, people do get jobs without going through the employment offices.

We have discussed this situation in this country, that is, whether we might put a questionnaire out to our employers in the employment statistics program, asking them to give us the number of vacancies they have.

But we have found in our past discussions on this subject it is quite a problem to define a vacancy.

I have vacancies in the Bureau of Labor Statistics, but sometimes the administrative officer tells me I cannot fill them because we do not have the money. Yet perhaps a division chief is out trying to recruit somebody for a position he has open. Yet I might have to hold him up when he actually begins to put a new person on the payroll.

In other words, a vacancy is hard to describe. We are still going to look into it to see if there could be developed any good way of getting such information, because it would be a valuable statistic.

It is a fact that millions of jobs are developed over the years, and in each year as a matter of fact; but we do not have any measure as to the extent to which they exist before they are actually filled.

I think, Mr. Chairman, I might read the last six paragraphs of my statement, which relate to your third query.

Your third question relates to choice of public and private policies. It is certainly clear from past experience that increased levels of economic activity may affect significantly what today appears to be structural unemployment. Of course, if we get an expansion of demand next year some additional people will get jobs.

Structural unemployment is virtually impossible to measure as such. The extent to which the large amount of long-term unemployment is a reflection of structural dislocations should be clearer next year, with more complete recovery from the 1960-61 recession.

But the particular problems generally associated with structural dislocations—unemployment of long duration, depressed areas, depressed industries, and occupations—are only partially amenable to amelioration through measures designed to increase the general level of demand. Long-term unemployment—much of it in depressed areas—is a greater problem in 1961 than it was in 1956, and in 1956 it was a greater problem than in 1948.

I spent considerable time in my paper describing the truly long-run unemployment, which we think is one of the chief factors in the structural problem. I recall some figures which I might mention at this point: people out of work more than 26 weeks, which means beyond the duration of unemployment insurance, in 1948 averaged only about 5 percent of the unemployed; in 1956, a little over 8 percent; in 1960, above 11 percent; and in the third quarter of 1961, it was nearly 20 percent of the unemployed.

In other words, the longtime duration problem is one that is most urgent. It is a kind of intensification of unemployment, arising from people who are not succeeding in getting back to jobs.

Now, stimulation of the economy to full recovery from recession is a prime objective of current Government activity. But special meas-

ures designed to tackle the problem of unemployment directly are also needed. For workers who do not have the required skills, many can be helped through retraining. For many others—Negroes, older workers, and others—high rates of unemployment and long-term unemployment reflect, in part, discriminatory hiring practices. For some, difficulties of health and other personal factors result in long periods of unemployment.

Thus, although rapid overall growth may go a long way toward bringing the present 6 percent unemployment rate back toward 4 percent, other more specific programs are needed as well.

This fact is made dramatically clear in the unemployment problem of youngsters. The unemployment rate for youngsters has traditionally run higher than most other groups in the labor force. We are now facing a period when a much larger number of youngsters will be vying for jobs. This is an area where specific programs of training, guidance, and placement are not only necessary to reduce the rate of unemployment significantly, but also to prepare our expanding labor force to fill the jobs which will exist. Aggregative programs to stimulate overall employment will be most effective in reducing the unemployment rate only if workers are in the right place with the right skills to fill the jobs being created. That is why we, in the Labor Department, devote so much attention to this problem of the younger worker.

(The prepared statement of Mr. Clague follows:)

TESTIMONY BY EWAN CLAGUE, COMMISSIONER OF LABOR STATISTICS, U. S. DEPARTMENT OF LABOR, FOR HEARINGS ON EMPLOYMENT AND UNEMPLOYMENT

Mr. Chairman, in your letter inviting me to testify before your subcommittee, you suggested three general questions to which you would like answers. Your first question relates to the adequacy of our employment and unemployment statistics to meet the Nation's needs. Since the statistics themselves constitute the foundation for considerations of public policy, I have tried to answer this question in more detail, and in particular, to take up each of the points mentioned in your letter on this subject. In addition, I shall present some of my views on your other two questions.

*1. Adequacy of statistics on employment and unemployment*

*Coverage.*—The Government's statistics on employment and unemployment come from three basic sources: (1) The survey of 35,000 households conducted for the Bureau of Labor Statistics by the Bureau of the Census, the source for detailed statistics on total unemployment, total employment, and the labor force; (2) the survey of 180,000 establishments which are based on the payroll reports of nonfarm employers, and which provide detailed information on employment, hours, and earnings, by industry; and (3) the administrative statistics derived from the unemployment insurance systems which provide figures on the number of workers receiving unemployment insurance benefits; these are available on a weekly basis and are compiled for States and for major labor market areas.

The availability of these three sources provides a richness of detailed information on the functioning of the labor market that is probably unique even among Western industrialized countries. It also allows for the possibility of considerable cross-checking and a more accurate and complete evaluation of the overall job situation. At the same time, however, the use of information from three such different sources raises problems of consistency and comparability, and sometimes makes public understanding more difficult.

A complete evaluation of all three sources is not possible in a brief statement such as this; moreover, the subcommittee's main interest appears to be in the data from the household survey, which provide our overall figures on employment, unemployment, and the labor force. The unemployment statistics from this survey have been the principal focus of interest this year on the part of most Government economists because of their persistence at relatively high levels,

but in considering these figures we must be mindful that they are only one part of a more elaborate system of statistical intelligence on the labor market.

*The concept of unemployment.*—As in any statistical series relating to economic behavior, it must be recognized that the levels and trends in unemployment can be strongly affected by the concept that we use. Moreover, that concept can be understood only as part of a total system of concepts, whereby each member of the civilian noninstitutional population 14 years of age and over is classified either as employed, unemployed, or not in the labor force. It is not my purpose here to go into a comprehensive description of the labor force concepts, since they are explained in considerable detail in a number of published documents.<sup>1</sup>

The most important point to understand about the design of the unemployment concept is that it is logically related to the major purpose the data are intended to serve: to give a measure of the number of jobseekers who are out of work at a particular point in time; that is, to provide a measure of the performance of the economy over time, in terms of the extent to which it achieves full employment for the labor force. Unemployment statistics which meet these objectives also serve the purpose of gaging the state of the economy in relation to the Employment Act of 1946, in which the Federal Government was charged with the responsibility for promoting conditions under which every person willing, able, and seeking to work would have an opportunity to work.

In devising the concepts, the additional goal of susceptibility to measurement was sought. In order to achieve maximum objectivity and uniformity in measurement over time, from place to place, and with different enumerators and respondents, it was decided that activity during a specified calendar week would be the best criterion for determining a person's employment status.

With these policy and measurement objectives in mind, it was determined, when the program was initiated in 1940, that any person who had work during the survey week would be counted as employed, regardless of the adequacy of his employment in terms of hours, earnings, or skill utilization. Any person who had no work would be counted as unemployed only if he looked for work. (A few exceptions to the looking-for-work requirement were incorporated in order to make the definition more realistic.) Any person who was unable to work, or who did not work, or have a job, or look for work would be counted as not in the labor force, regardless of what he or she might do under different labor market conditions. Of course, many refinements were built into the system, but this was and still is today the basic conceptual core underlying our statistics on the labor force, total employment, and total unemployment.

These global totals have proven to be useful as economic indicators and for many other purposes as well. However, it can easily be seen that such broadly defined categories would include a heterogeneous grouping of people in widely different circumstances. Among the employed are many with low earnings, and many whose employment is highly marginal, as well as those who have good steady jobs at high pay. Similarly, among the unemployed are some who will have little trouble in finding other jobs, some whose need for work is relatively slight, as well as many who have been out of work for long periods and who are in desperate need of jobs. This problem of differentiation within broad categories has been partly solved by providing a vast array of supplementary information about the employed and the unemployed—their age, sex, and marital status; occupational and industrial attachments; hours of work; duration of unemployment; earnings and other income; educational attainment.

It has never seemed wise to base the definition of unemployment on need for work or other motivations, since this would defeat the policy objectives of the statistics and would introduce highly subjective elements into the measurement process. However, something can already be inferred about the extent of hardship or distress among both the employed and the unemployed—their family responsibilities, their incomes, their regularity of employment—from our supplementary data; and as our knowledge from the survey is expanded, additional information of this kind will become available on a more regular basis.

*The consistency of unemployment statistics.*—This general method of obtaining labor force statistics, and the definitions used to classify the employed, the unemployed, and those not in the labor force, have remained essentially unchanged since 1940, although there have been major improvements in specific measurement techniques such as sampling, questionnaire design, and enumeration.

<sup>1</sup> The most extensive discussion is that published by the Bureau of the Census in Current Population Reports, Series P-23, No. 5, "Concepts and Methods Used in Preparing Current Employment and Unemployment Statistics."

By and large, the procedural and other changes introduced into the labor force survey during the last 20 years have not distorted the comparability of the overall unemployment series. The only change in definitions was that adopted in January 1957 whereby persons on temporary layoff and those waiting to start new jobs within 30 days (about 250,000) were shifted from the employed to the unemployed. It has been possible to revise the overall monthly statistics back to January 1947. However, lack of data has prevented a revision of the totals back to 1940 or the revision of all the significant details.

There has been only one significant change in schedule design since 1940—that introduced in July 1945, when the questions were revised somewhat in order to get a more objective measure of the labor force, and one which would be closer to the requirements of the concept. Incidentally, the net effect of that revision was to increase the estimate of part-time workers, but to reduce the estimated number of unemployed. In any case, the figures were revised back to March 1940 by month and may be considered as reasonably comparable with later data on the pre-1957 definitions.

The sample for the household survey has been greatly strengthened (through increases in size, extensions in coverage, distribution over more areas, and an improved rotation system) over the past two decades. However, there is no evidence that the changes in sampling procedures by themselves had any significant effect on the levels or trends in the unemployment rate. In 1953-54, the changeover in the sample design had an indirect effect to the extent that reduced supervision of the enumeration in the old areas impaired the accuracy of the figures. Subsequently, the unemployment figures for the last 4 months of 1953 were revised.

During the past decade, there have been a number of processing improvements, much more detail has been tabulated and published and new informational questions have been added from time to time; but none of these developments has had any demonstrable biasing effect on the basic results from the household survey.

A more serious problem confronts the labor force survey when new decennial census data become available. For one thing, the labor force data are weighted by independent population estimates obtained by projecting decennial census data forward month by month. These projections of the civilian population by age, sex, and color are reasonably accurate, since they are based on current information relating to deaths, immigration, entries into the Armed Forces, etc.; but they must be replaced by new census data as the latter become available. If the actual census of population figures differ substantially from the projections from the previous census, as occurred in 1950, a discontinuity is created in the labor force series. Even then, the effect is relatively minor on unemployment, because that is such a small proportion of the population. However, the effect on such large aggregates as the civilian labor force and total employment can be substantial. Moreover, revision of historical data presents a problem, because of the existence of so many detailed cross-classifications and because it is impossible to know just when the current population estimates began to deviate from the "true" count. Preliminary indications give us hope that when the final 1960 census population figures for the civilian population of working age are incorporated into the estimating procedures for the household survey, no serious discontinuities will result.

Unfortunately, the decennial census cannot be used as a benchmark for labor force and unemployment statistics. The reason is that the enumerators hired for the census are necessarily less experienced, less fully trained on labor force concepts, and required to cover a wide variety of subjects. This raises the more general problem that we face, namely, that there are no independent estimates of labor force, employment, and unemployment which are fully comparable with the official series, using the same concepts and definitions, and which could be used as a consistency check or as a benchmark. The best that we can do under the circumstances is to make comparisons with our data from the unemployment insurance system, and with other economic indicators.

Insured unemployment is not as large as total unemployment since the State unemployment compensation programs generally exclude the following groups: jobseekers having no recent work experience, the self-employed, agricultural workers, State and local government employees, the unemployed who have already exhausted benefits, and (in some States) employees of very small firms. Nevertheless, it is possible to compute the rate of insured unemployment to insured employment, and compare this rate with the rate of total unemployment. On that basis, despite the differences in coverage of the two statistical series,

they show the same general movements from year to year. The rate for 1959, for example, was approximately one-third higher than for 1956, for both insured unemployment and total unemployment.

In the most recent cycle, both the rate of total and insured unemployment began rising after May 1960 on a seasonally adjusted basis; both reached their respective peaks by the end of last year, and both have come back about half way to prerecession levels by the fall of 1961. Insured unemployment (under regular State programs) did show more of a decline than did total unemployment from March to June 1961, in part because of the high rate of benefit exhaustions in the latter stages of a business downturn.

*The accuracy of unemployment statistics.*—As we all know, the labor force statistics are based on a sample survey comprising some 35,000 households or about 80,000 persons 14 years of age and over. Of course, the figures are subject to a certain amount of sampling variability. For example, we would say that the chances are one out of three that our sample estimate of unemployment might differ from a complete count (assuming the same definitions, enumerators, and procedures) by 100,000 or more. However, the chances are only 1 out of 20 that our estimate would differ by 200,000 or more. In other words, the odds are 19 out of 20 that the amount of error in the figures due to sampling factors alone is less than 200,000. We believe that an error of this magnitude—about 5 percent of the current level of unemployment—does not impair the utility of the figures for nearly all reasonable purposes.

Although the sample may seem small to the casual onlooker, the fact is that it would take a very great expansion in order to achieve even a moderate reduction in the sampling error for the overall totals. However, since there is a growing practice of using more of the detailed statistics provided by the household survey, a further expansion in the sample might be worth while for the gain in accuracy that could be obtained for the detailed figures.

Aside from sampling error, there has been a good deal of concern as to whether the survey respondents are reporting their job status correctly and whether they are being reported correctly by the enumerators. The enumeration process has been viewed by some as being too subjective for accurate reporting and classification. It is sometimes assumed that the survey enumerators determine the number of unemployed by asking each household: "How many people here want a job?" The fact is that this question is intentionally not asked because we know it would lead to an overcount of the unemployed. Instead, the question is asked individually for each person 14 years and over in the household who did not work in the survey week: "Was ——— looking for work?"

Neither are enumerators free to use their own discretion in the questions they ask. Not only is the specific question wording they are to use spelled out for them on the questionnaire, but frequent training sessions are held to maintain standards of good interviewing. Furthermore, a system of reinterviews by supervisors has been developed by the Bureau of the Census as a means of controlling the quality of interviewing. Interviewers whose work does not meet specifications are retrained, or if necessary, replaced.

One further complication with the unemployment data is that they are subject to appreciable seasonal variations. Since most analysts are primarily interested in the underlying trends, we are faced with the necessity of isolating and removing the seasonal factor from the data by means of a seasonal adjustment process.

In recent years, the techniques for seasonal adjustment have been refined. The extent of research in this area has been greatly extended, and is continuing at the Bureau of Labor Statistics and elsewhere. Nevertheless, seasonal adjustment will always be at best an approximation based on the average of past experience. The seasonal pattern for the current year will generally differ somewhat from the average of past years.

In the case of unemployment, there are a number of factors that accentuate the general problem. First, the amplitude of the seasonal fluctuations in unemployment is so large, ranging from approximately 120 percent of the annual average in February to 80 percent in October. Second, the cyclical amplitude is also relatively large. When both these influences converge, as they did in 1954, 1958, and 1961, the level of unemployment increases by more than 2 million in a span of 4 months. In 1954 and 1958, this represented an increase of more than 100 percent in the level of the series. A third problem is that the unemployment estimates are subject to relatively large irregular movements, resulting directly from sampling variability and indirectly from temporary factors such as strikes, hurricanes, etc. Thus it is a formidable task to decompose the unemployment series in order to remove its seasonal component with absolute precision.

Surely, this is one area where further research is needed.

*Amount of detail.*—In general, it is not possible to develop one or two overall figures, such as the number of unemployed, that will be adequate to describe the whole complex of labor market phenomena. Consequently, the household survey is designed to provide a large amount of detailed and supplementary data which are available for use in interpreting and adjusting the broad totals to meet a wide variety of needs on the part of users of labor market information. The fact that this is a recurrent survey, however, operating under a tight time schedule, restricts the kinds of questions that may be asked. Many types of inquiries which would shed light on questions such as need for work, future jobseeking intentions, and reasons for present status, are less feasible in a recurrent than in a one-time survey.

Most of the criticisms of the unemployment statistics are aimed at the total figure—it doesn't include enough or it includes too much. The total, because it is a total, cannot possibly meet all of the requirements of all the people who wish to use it for a particular purpose. However, separate information is provided on the different groups that make up the total, and each individual interested in unemployment is free to examine the groups he thinks are most important and ignore the rest if he chooses. Each month we publish in *Employment and Earnings* over 2,000 separate statistics showing employment and unemployment by age, sex, color, marital status, industry, and occupation, with hours of work for the employed and duration of unemployment for the unemployed. The tables provide answers to questions such as these:

- How many adult men are unemployed?
- How many of the employed were working part time due to economic reasons?
- How many of the unemployed were married men?
- How many of the unemployed were looking for their first job?
- How many of the employed and unemployed were boys and girls between 14 and 18 years of age? How many were under 20?
- What industries have the highest rates of unemployment?
- What occupations have the highest rates of unemployment?
- How many women work in agriculture?
- How does the unemployment rate for white workers compare to the rate for nonwhite workers?

All of the detailed figures which are published monthly on employment and unemployment provide a depth and breadth of information that it would be impossible to convey in the totals alone—no matter how employment and unemployment were defined. These figures, taken together, are perhaps even more important than the totals for use in analyzing economic conditions and in making policy decisions.

*Conclusion.*—The definitions of employment and unemployment, and the entire survey on which they are based, are under continuous surveillance by inter-agency governmental groups and congressional committees, including the Joint Economic Committee. In the coming months, the unemployment statistics are to be evaluated by a newly appointed Presidential committee. I welcome and fully support this new study, because I am hopeful that it will lead to possible technical improvements and better public understanding of the figures. In the meantime, I am encouraged by the fact that over the past 20 years, only one relatively minor change in definitions has been recommended for the unemployment statistics. I believe this is because the existing definitions have stood the test of time, producing data which present a picture of unemployment during two wars and four business cycles that has logically fitted into the overall picture of how the economy was behaving. Moreover, this system of counting the unemployed—a system first developed by the United States—is presently being used by Canada, Sweden, Japan, and several other countries and is basically the standard method recommended for all countries by the International Labor Office.

No one who works with the unemployment statistics claims that they are perfect. Although there has been a continuing effort over the years to improve the quality of the statistics and to provide additional information about the people who are unemployed, the desire for still more detail and new combinations of data persists. In fact, Mr. Chairman, in your letter to us earlier this year, you requested a paper presenting indexes of potential labor force time worked and lost which would reflect involuntary part-time employment for economic reasons as well as unemployment. Such a paper has been prepared by Miss Gertrude Bancroft, of the Bureau of Labor Statistics, and is included in the series of background papers issued by the committee on December 10.



Going beyond the analysis of data already collected, our plans for the coming year include several major studies of the characteristics of the unemployed. For example, we plan to find out more about their labor force attachment, the relationship between the unemployment of family heads and the job status of other family members, and the longer term work history of the unemployed. In addition, we expect to conduct a fairly extensive study of the job mobility of workers during 1961 and the connection between mobility and unemployment. One further study that I might mention at this time is one being conducted in connection with the national health survey to determine the incidence of illness and disability among the unemployed and the employed.

In conclusion, I would like to say that we are most anxious to fill any reasonable demand for additional information about the characteristics of the labor force, the employed, and the unemployed. However, we are much more cautious and conservative about changing the basic definitions of unemployment. Many changes have been suggested, but it should be realized that changes which would win approval in some quarters would meet with strong opposition in others. In any case, whether one concludes that the definition of unemployment is too broad, too narrow, or "just right," it has provided a consistent yardstick for measuring unemployment in every month for over 20 years. Periods of high unemployment and periods of low unemployment have all been measured with this same yardstick. Switching to a different measuring rod will not alter the fact that unemployment moves much higher at some times than at others and that such occurrences are causes for genuine concern.

## *2. The rise in unemployment in the postwar period*

Your second question concerns the high rate of unemployment since 1957 and its major cause. The recent high rates have capped what has appeared to be a persistent rise in unemployment following each business cycle in the postwar period. The unemployment rate averaged under 4 percent in 1947-48; in 1952-53 the rate averaged 3 percent under the stimulus of the Korean conflict; during the next peacetime cycle in the years 1955-57, the rate averaged about 4.3 percent. In the period of recovery from the recession of 1957-58, the seasonally adjusted unemployment rate never dropped below the 5-percent level, and at this point, some 9 months after the trough of the current recession, the rate of unemployment is still about 6 percent.

The persistently high rate of unemployment this year, despite substantial recovery of employment and output, has resulted in widespread support for vigorous programs aimed at reducing the level of unemployment. The particular kinds of programs needed are at issue, however. Some analysts believe that the current high rate of unemployment is entirely a function of inadequate aggregate demand. This analysis discounts the apparent uptrend in unemployment rates from the end of World War II to about 1956 and places all of the emphasis on the rise in unemployment that has occurred in the last 4 years, attributing this rise to inadequate aggregate demand. If this interpretation is correct, then programs for stimulating economic recovery should be relied upon to return the economy to reasonably full employment.

The other point of view is that structural changes which have been taking place in recent years have had some influence in causing higher rates of unemployment. In my judgment, this is a factor which cannot be ignored.

First, I would like to describe the kinds of occupational and industrial shifts that have been occurring in the economy over the past decade or so and discuss some of their implications for the employment situation. Much of this is not new to you. These long-term developments have been well documented in publications of the Department of Labor, as well as in special materials prepared for the committee. These trends have an important bearing on our current economic situation as well as implying much for the future.

Possibly the most dramatic shift in our economic structure in recent years has been the relative decline of employment in goods-producing industries (including agriculture, manufacturing, mining, and construction) and the continued rapid expansion of the service sector of the economy (especially trade, service, and State and local government). Of course, the decline in farm employment has been a long-term trend. At the turn of this century about one-third of the labor force were on farms; today the proportion is less than 10 percent. This shift has continued to be an important factor in the labor market in recent years. Since the end of World War II, a net average of about 200,000 workers have shifted out of agricultural employment into the nonfarm jobs, or out of the labor force, each year.

The lag in the trend of growth of manufacturing and construction, and the actual decline of employment in mining, has been of somewhat more recent origin. Since the end of World War II, manufacturing, mining and construction as a group have increased by 18 percent, as compared to an overall increase of 30 percent in total nonagricultural wage and salary employment.

In general, the relative decline in the importance of employment in these goods-producing industries has not taken place in a smooth secular pattern. Rather, these industries have been severely hit in the contraction phase of each of the postwar recessions, and have recovered employment more slowly than the economy as a whole in the postrecession periods. In contrast, the service-rendering industries, especially trade, service, finance, and State and local government, have either continued to expand employment or have dipped only slightly in the contraction phase of each of the postwar business cycles; sometimes they show only a slowdown in their rate of growth.

In part reflecting these trends, and in part because of the changing occupational composition of each industry, there has been a dramatic shift in the pattern of employment in the United States. White-collar and service jobs have expanded sharply while manual occupations have become less important as a source of employment. Even within manufacturing industries the employment gains that have occurred were relatively much greater among non-production (white collar) workers than among production workers. As a result, by 1956, white-collar and service workers for the first time outnumbered manual workers in the economy as a whole.

Of course, shifts in the occupational and industrial pattern of employment are nothing unusual in a dynamic economy. They appear to have been occurring throughout our history, in periods of prosperity and depression alike. The particular occupational and industrial shifts of the postwar years appear to have been more difficult to effect smoothly for a number of reasons. Many of the occupations that have been expanding in recent years (professional and technical, administrative and the higher clerical jobs) require education, skill or training not possessed by the workers (frequently unskilled or semiskilled) who were disemployed in industries not expanding as rapidly as the economy as a whole or which, like mining, were actually contracting. As an example, within the manufacturing sector, the unskilled and semiskilled occupations have been hit hardest by recessions and have grown least in periods of expansion, while the white-collar technical, administrative, clerical and sales jobs not generally available to those laid off, grew at a rate half again as fast.

While lack of adequate education, training or skill acted as an impediment to fluid transfer of disemployed workers into the expanding occupations, there were also other factors that prevented the easy absorption of these workers into the growing service-rendering sectors of industry. Many of these industries drew their workers from outside the labor force, attracting large numbers of women, most of them married and over 45, who entered the labor market during the postwar period. Between 1947 and 1960 almost twice as many women as men were added to the civilian labor force. Most of these women were secondary earners in the family and, as such, many of them were willing to work for lower wages than men; and, in turn, many of the trade and service industries offered part-time positions that uniquely fitted their needs.

Thus we see in the postwar period a series of substantial structural changes in occupation and industry in the American economy, with impediments to mobility of labor that accompanied a slow but steady rise in overall unemployment rates. This thesis is supported by data which show between 1948 and 1956 (the most recent period not significantly affected by recession unemployment) a rise in the unemployment rate for wage and salary workers in every major goods-producing industry and stability or decline in virtually every service industry. For goods-producing industries as a whole, the unemployment rate for wage and salary workers between those 2 years rose from 4.1 to 5 percent; for service-rendering industries the unemployment rate declined from 3.4 to 3.1 percent. Similarly, between 1948 and 1956, the unemployment rate for manual (blue collar) workers rose from 3.5 to 4.4 percent while the rate for white-collar and service workers showed no significant change.

Another most significant indication of the association of the rise in unemployment over the earlier postwar period with structural dislocations in the economy is the trend in unemployment rates by duration. Structural changes in the economy tend to involve longer periods of adjustment for labor because of impediments to mobility of workers. These structural adjustments are therefore generally associated with longer terms of unemployment. Comparing the year 1956

with 1948, we find that all of the increase in unemployment over this period (from 3.8 to 4.2 percent) was concentrated in the group unemployed 5 weeks or more, and a substantial proportion was in long-term unemployment (over 15 weeks).

Carrying this analysis beyond 1956 presents even more difficulties than for the earlier years. We begin to move into a period when cyclical unemployment dominated. The high unemployment rate of the recession of 1957-58 carried through into part of 1959; later in that year the economy was affected by the steel strike and in 1960-61 the economy was dominated by the current recession.

Nevertheless, although the impact of structural changes cannot be distinguished from the effects of cyclical inadequacy of demand, an attempt was made in the report we presented to the committee (by Robert Stein) to compare trends in occupation and industry unemployment from 1956 to 1960 with the earlier postwar period. This analysis showed that the shift from blue-collar and farm jobs to white-collar and service jobs had accelerated. Our analysis showed that, despite a slower rate of overall economic growth, the number of white-collar and service workers added to the labor force averaged 1.1 million a year in 1956-60 as compared with 700,000 a year from 1948 to 1956. The number of blue-collar workers in the labor force (mostly semiskilled operatives) actually dropped by an average 50,000 a year in 1956-60, as compared with an average annual gain of 180,000 from 1948 to 1956.

Both the absolute and relative difference in unemployment rates between white-collar and service workers on the one hand and manual workers on the other increased even further between 1956 and 1960. Among industries, however, there was no further widening of the relative difference in unemployment rates, mainly because of a recent increase in unemployment in service-rendering industries.

In summary, there has been in the postwar period a major shift out of blue-collar and farm jobs into white-collar jobs and a related pattern of shifts from goods-producing industries into services. The number of jobs in expanding industries available to adult men displaced from the goods-producing industries may possibly have been limited by the influx of women into the expanding industries; but many of these have been traditionally staffed by women in any case. In addition to the usual impediments to mobility of adult men—family responsibility, home ownership, etc.—many disemployed workers were prevented from moving into available job openings by lack of the education, skill, or specialized training so often required by professional, technical, and other white-collar jobs.

The evidence available does not permit an unequivocal statement as to whether structural dislocations have or have not been a major cause of the rise in unemployment over the postwar period, but they do appear to have been a contributing factor. Evidence seems to be fairly clear that the rise in the unemployment rate from 1948 to 1956 was largely a function of structural shifts. The increase in the unemployment rate was about 0.4 percentage points, accounting for about 250,000 of the half million rise in unemployment. The economic picture from 1956 to 1960 has been too confused by cyclical movements in economic activity to make any reasonable assessment of the effect of structural dislocations and labor immobility on the unemployment rate. There is evidence in our recent report to show that adult men were being absorbed into white-collar occupations at a faster rate between 1956 and 1960 than in the earlier postwar period; but, at the same time, there was a net decline in the number of blue-collar jobs in contrast to a moderate increase between 1948 and 1956.

Our data show that the pattern of rising rates of long-term unemployment continued into the 1956-60 period. As is indicated in the above report, whether one compares cyclical peaks, recession troughs, or recovery periods of the four postwar business cycles, it is clear that the uptrend in unemployment for the postwar period as a whole has been heavily concentrated in long-term unemployment. Of the rise of 1.6 points in the unemployment rate from mid-1948 to mid-1960, about two-fifths (or 0.6 of a point) can be attributed to longer duration of unemployment.

I would like to emphasize that it is extremely difficult to distinguish a rise in unemployment due to structural dislocations from a rise due to inadequate aggregate demand, especially for a relatively short period. However, both the divergence of unemployment rates in goods-producing from rates in the service industries (as well as for related occupations) and the rising trend in long-term unemployment tend to indicate an association of increasing unemployment with

structural changes. Unfortunately, available data are not sufficient to indicate whether or not a change in labor mobility occurred during the postwar years. Moreover, just how productivity changes may have affected structural unemployment in recent years also remains somewhat of a question. Although our aggregate productivity figures show neither a sudden spurt in recent years, nor a concentration of productivity gains in selective areas of the economy, sectors for which data are available are sufficiently broad to mask sharply divergent, but balancing productivity movements.

In both the areas of productivity and mobility, the Department of Labor is planning additional studies to provide more detail which may help clarify the relationship of these factors with employment. For example, we are planning to repeat in 1962 a study that was done for the year 1955 on the relationship of unemployment and mobility. In addition, we have planned a followup study in depth of the characteristics of the unemployed, including a detailed job history over the past 5 years, associating unemployment with reasons for leaving the job.

Some new factors have entered the labor market picture this year which add a further disturbing note. During the 1950's the very large influx of women into the labor force was partially offset by a trend toward the earlier retirement of adult men and the fact that youngsters were staying in school for longer periods before seeking jobs. This year saw the beginning of a rapid rise in the number of youngsters entering the labor market annually, the effect of the "baby boom" of the immediate postwar years. In 1961, over 2 million youngsters are expected to enter the labor market. By 1970, this number is expected to be about 3 million a year. In addition, for the first time in the postwar period, there has been a moderate increase in the unemployment rate in service-rendering industries, the result of the spread throughout the economy of the effects of the recent recession and possibly the beginnings of increased productivity in many of these industries, due to widespread application of automation techniques.

### *3. Policy implications*

Finally, your third question relates to choice of public and private policies. It is certainly clear from past experience that increased levels of economic activity may affect significantly what today appears to be structural unemployment. Structural unemployment is virtually impossible to measure as such. The extent to which the large amount of long-term unemployment is a reflection of structural dislocations should be clearer next year with more complete recovery from the 1960-61 recession.

But the particular problems generally associated with structural unemployment—unemployment of long duration, depressed areas, depressed industries, and occupations—are only partially amenable to amelioration through measures designed to increase the general level of demand. Long-term unemployment—much of it in depressed areas—is a greater problem in 1961 than it was in 1956, and it was a greater problem in 1956 than in 1948.

Stimulation of the economy to full recovery from recession is of course a prime objective of current Government activity. But special measures designed to tackle the problem of unemployment directly are also needed. For workers who do not have the required skills, many can be helped through retraining. For many others—Negroes, older workers and others—high rates of unemployment and long-term unemployment reflect, in part, discriminatory hiring practices. For some, difficulties of health and other personal factors result in long periods of unemployment.

Thus, although rapid overall growth may go a long way toward bringing the present 6 percent unemployment rate back toward 4 percent, other more specific programs are needed as well.

This fact is made dramatically clear in the unemployment problem of youngsters. The unemployment rate for youngsters has traditionally run higher than most other groups in the labor force. We are now facing a period when a much larger number of youngsters will be vying for jobs. This is an area where specific programs of training, guidance, and placement are not only necessary to reduce the rate of unemployment significantly, but also to prepare our expanding labor force to fill the jobs which will exist. Aggregative programs to stimulate overall employment will be most effective in reducing the unemployment rate only if workers are in the right place with the right skills to fill the jobs being created.

Senator PROXMIRE. Did you want to ask any questions?

Representative WIDNALL. No.

## READER'S DIGEST CRITIQUE

Senator PROXMIRE. I think this might be a good point, Mr. Clague, to give you an opportunity to answer blow by blow the article by James Daniel that appeared in the magazine of largest circulation in the Nation, the Reader's Digest, an article which has reverberated throughout the country.

As you know, there have been a series of editorials upon it, some pro and some con.

Mr. CLAGUE. Yes.

Senator PROXMIRE. It is an article which has some specific criticisms which, I think, should be answered, and answered with some detail.

I might say at this point I will put the article in the record. It is entitled "Let's Look at Those 'Alarming' Unemployment Figures."

It was in the Reader's Digest for September of 1961.

(The article referred to follows:)

LET'S LOOK AT THOSE "ALARMING" UNEMPLOYMENT FIGURES—ARE WE GETTING A TRUE STATISTICAL PICTURE? HERE IS AN EYE-OPENING REPORT ON AN ALL-IMPORTANT SUBJECT

(By James Daniel)

For months the U.S. Bureau of Labor Statistics has been pouring out a stream of doleful figures depicting the worst "unemployment crisis" in the United States since the great depression of the 1930's. Almost daily some administration official tells us that nearly 7 percent of our labor force is out of work. Meanwhile, Congress has passed one emergency spending bill after another on the ground, in part or in whole, that it will help employment. (It is estimated that this legislation will add \$18 billion to the annual cost of our Federal Government over the next few years.)

All this unemployment news out of Washington provides excellent fodder for the Communist line, of course. Said the Communist Worker recently: "Only in the socialist [read Communist] countries are there no crises, no mass layoffs, no unemployment. Only when socialism is adopted in the United States will such crises be done away with."

Clearly, the time has come to take a close look at the real facts behind the unemployment headlines.

Fact No. 1 is this: The unemployment "crisis" rests on the credibility of the monthly unemployment report released by the Bureau of Labor Statistics. Through the years the definitions and methods used by BLS to obtain its figures have steadily been altered to magnify the unemployment problem.

The U.S. unemployment total is not an actual count but an estimate obtained through a "probability sample" akin to a public-opinion poll. Once a month 550 part-time Census Bureau enumerators visit 35,000 households selected as representative of the United States economically, geographically, and socially. They ask a few questions such as, "How many people here want a job?" They list as "employed" all residents over 14 who had a job the previous week: as "unemployed" those not working the week before but looking for work; and as "not in the labor force" those not working and not looking for jobs. On the average, each answer is multiplied by 1,400 to "inflate" the sample to correspond with the size of the U.S. population.

Originally, a person was classed as "looking for work" only if he actually looked. Then, in the 1930's, it was decided that this was unfair to nonlookers, because they were discouraged by the "lack of job opportunities." In 1940, therefore, Washington started classifying anybody who wanted a job as looking for work, even if he said he had not looked, because he was sick or "guessed" that no work was available.

These "inactive" unemployed were separately identified until 1945. Then BLS gave up making any distinction between active and inactive unemployed, and encouraged enumerators to classify nonlookers as unemployed rather than "irritate" interviewees by asking further questions. This gave enumerators free

rein to use their own discretion as to how many persons in a household who were not at work were actually "unemployed."

With such encouragement from the top, it is no wonder that enumerators have become increasingly skillful at finding "hidden unemployment." In the 1940 decennial census the actual head count of the entire country turned up noticeably less unemployment than BLS was reporting. In 1950 the regular census takers found 20 percent less unemployment than BLS enumerators.

In 1954 even more dramatic evidence of the degree to which the attitudes of the enumerators can cause a rise in the number of unemployed came to light. That year BLS revamped its field forces, dispersed the households to be interviewed over a larger sample area, and gave its new enumerators intensive training in sniffing out elusive cases of "marginal and occasional workers" who could be classified as unemployed. In their first month the new polling personnel found 3,100,000 Americans out of work, while the old enumerators found only 2,400,000—a difference of 700,000, or 22 percent.

Since the two groups agreed on the number of Americans working, the 22-percent spread between the "unemployed" figures was wholly attributable to the greater zeal of the new enumerators in classing borderline cases. BLS kept the more "efficient" new enumerators, let the others go.

In addition to this, the BLS "unemployed" label now covers a number of categories in which the unemployment results from personal choice or at least is not dependent on "economic factors beyond the individual's control." So classified, for example, are: persons temporarily unable to work at their jobs because of labor disputes in other industries; persons who have quit their jobs to try to improve their economic status; persons who have quit from dissatisfaction and have become floaters; persons looking for part-time or temporary jobs to earn pin money; persons who are actually unable to work, but who nevertheless try to find employment; seasonal workers reentering the labor market at the opening of the period of seasonal activity; anybody who has obtained a job to start within the next 30 days.

A review of the last 20 years of the Bureau of Labor Statistics' curious operations makes it clear that the claimed rise in unemployment from recession to recession has, to a large extent, been engineered. And now the process of juggling statistics to show progressive deterioration in the U.S. economic system is about to move another step forward; under study in Washington are strongly backed proposals to count as unemployed persons working less than 40 hours a week or working at less than top grade and salary.

Why such a bureaucratic compulsion to classify people as unemployed? The answer is this: under the Employment Act of 1946, the Federal Government committed itself to a policy of promoting maximum employment and of setting forth such levels of employment as are needed to carry out the policy. Consequently, the worse unemployment grows—or can be made to appear—the easier it is to push Uncle Sam into new Federal spending programs and new controls over the economy.

Fact No. 2: U.S. unemployment statistics cannot be compared with those of the rest of the world.

News stories frequently state, "While the United States worries about finding jobs for its 5 million unemployed, the concern of most other industrialized nations is to find enough workers to fill empty jobs." But in Britain, France, West Germany, Italy, the Netherlands, Norway, Switzerland, and Sweden (countries with lower reported unemployment rates than the United States), the official report of persons out of work is obtained through an actual count of persons who have registered themselves as looking for work in order to collect unemployment compensation. These individuals must report, sometimes daily, at Government employment agencies to prove their availability to take a job. In these countries "marginal and occasional workers," such as housewives, children, and old people, are generally excluded from consideration.<sup>1</sup>

Last May, when U.S. newspapers headlined "Five Million Americans Out of Work," Dr. Seymour Wolfbein, Deputy Assistant Secretary of Labor, told the New York Times: "If we applied the same measuring rod as Europe, our unemployed would be 3 million." If Britain used our system, according to a recent study reported by the First National City Bank of New York, her unemployment figure would double. In 1959 Sweden gave the United States measuring plan a 1-month trial. Sweden's unemployment almost trebled.

<sup>1</sup> By contrast, the United States listed as unemployed last May 854,000 housewives living with their husbands, 876,000 teenagers, and 167,000 persons over the "retiring age" of 65.

Comparisons with the Soviet Union are impossible. In 1930, with the abolition of unemployment insurance and the adoption of a system of forced and assigned labor, the U.S.S.R. "solved" its unemployment problem simply by ceasing to report any statistics.

Fact No. 3: The United States has a fine employment story to tell, but it goes largely untold.

Since World War II, the United States has been passing through what might be called a second industrial revolution. This is a revolution of increased productivity, and it has drastically affected the distribution pattern of the U.S. working force. Since 1947, manufacturing output has gone up 60 percent, with only a 10-percent increase in the number of workers required. Farm production has soared to even greater heights in spite of a 30-percent decline in the number of farmworkers.

The slack has been taken up by a 40-percent increase in the number of Americans in white-collar occupations. We are the first country in the world to attain the enviable position of having more workers performing services than producing goods. And since 1947 we've increased the number of gainfully employed workers from 58 million to nearly 67 million (an average of 1½ jobs per family). The latest report shows a record per family income of \$6,900 a year.

True, some Americans have not been able to keep pace economically with the rest of the country. These are, for the most part: young people who fail to complete high school and so start with the less desirable jobs and reach a ceiling on advancement soonest; manual laborers and unskilled workers who have been caught in advancing automation; Negroes who, starting with educational handicaps and discrimination in hiring, make up 20 percent of the unemployed; workers in the 45-to-65 age group, who compose 40 percent of the long-term (that is, out of work 15 weeks or more) unemployed; those in depressed areas left behind by the changing geography of U.S. industry (West Virginia coal mines shut down, New England textile mills abandoned, etc.). From these ranks comes our "hard core" of unemployed.

Fact No. 4: Considerably more is being done about our hardcore problem than the news out of Washington would suggest.

Each month the individual States, via their unemployment security programs (from money obtained through payroll taxes on the working population), pay out in unemployment compensation average weekly individual stipends of \$34. This is far more than the working wage in most countries.

More fundamental is the point that present projections show that 70 percent of the 26 million young people growing up in the 1960's will have high school educations or better. This compares with 60 percent of the more than 15 million who matured in the 1950's. That is the local taxpayers' contribution to the prevention of unemployment.

For persons already caught up in unemployment, the cure is harder but not impossible. When Armour & Co. closed down its Oklahoma City packing plant last year, the company offered free vocational training to as many of the 431 employees as applied, could pass an aptitude test conducted by the State employment service, and could show a reasonable prospect of getting a job in the field they selected. Of these, 170 applied for and 60 enrolled in courses from typing to welding. Many wound up delighted with new jobs.

Ford Motor Co.'s long-established in-plant training program has been even more successful. Four years ago, Ford removed the age ceiling on employees eligible for 4 years of classroom instruction and supervised apprentice training (at wages running to more than \$3 an hour). It trains, on the average, 2,000 employees a month for skilled occupations. Of those who remain with Ford, many can expect to wind up in top jobs: two Ford plants now have managers who were \$1 an hour employees before entering the company school.

Plans in the offing in Washington would supplement such company training programs with a revival of GI-style on-the-job training and a program of Federal subsidies to students enrolled in vocational schools. Also planned, subject to congressional approval, are travel allowances to enable skilled workers who are surplus in one part of the country to migrate to areas where their abilities are needed. In addition, Congress has passed an aid-to-depressed-areas bill.

These emergency actions should not overshadow the most needed action of all: the long-overdue reform of the Government's method of reporting unemployment. Before the January change of administration, President Eisenhower's Budget Director, Maurice Stans, personally inserted in the Labor Department's budget a \$300,000 appropriation request to conduct a "study in depth" to discover how many of the reported unemployed actually are in the market for jobs.

Says Stans: "Modern governments are so heavily dependent upon statistics in making decisions that more and more national policies of immense importance for every American are determined by them. Billions of our dollars now ride on the accuracy of our monthly unemployment report."

Senator PROXMIRE. Also at this point I would put into the record letters commenting on this article from Mr. R. J. Eggert, economist, Ford division, Ford Motors Co.; from Mr. C. Ashley Wright, an economist for the Standard Oil Co., who said, in part:

I feel that the Digest article does the Nation a serious disservice insofar as it impugns that integrity and creates doubts concerning the honesty of the Bureau's figures.

Then there is a letter from Mr. George C. Hagedorn of the National Association of Manufacturers which forwards a resolution, and the resolution concludes:

The council has complete confidence—

this is the National Association of Manufacturers—

in the honesty, objectivity, and competence of the Bureau of Labor Statistics and its leadership. It regards public allegations that the Bureau has manipulated its methods and its results with an eye to their political impact as unjustified and unfortunate.

And then there is a letter from Myron S. Silbert, who is vice president of the Federated Department Stores, Inc., and a man who has been a member of the Business Research and Advisory Council to the Bureau of Labor Statistics for many years, who goes into rather elaborate detail in indicating why he disagrees with the article, and why he feels the article is not accurate.

(The documents referred to follow:)

SEPTEMBER 15, 1961.

Mr. DEWITT WALLACE,  
*Editor, The Reader's Digest, Pleasantville, N.Y.*

DEAR MR. WALLACE: I wish to refer to an article entitled "Let's Look at Those Alarming Unemployment Figures," by James Daniel which appears in the Reader's Digest for September 1961.

Am glad to see Reader's Digest devoting attention to these important data. Many of our important economic indicators are inadequate and articles in magazines like Reader's Digest can be of tremendous significance in bringing about needed improvements.

Unfortunately, this particular article contains an unwarranted attack on the integrity of the present unemployment statistics and on the Bureau of Labor Statistics which produces them. I am concerned about this because it may have the effect of diverting attention from needed improvements by suggesting that the fault lies with "statistics jugglers" in BLS.

The Federal Statistics Users' Conference is an organization of over 150 business firms, farm organizations, labor unions, and nonprofit research organizations which use Federal statistics and are interested in their improvement. We have long been aware that the various statistical series on employment and unemployment are not adequate to meet today's needs. As long ago as the spring of 1959, FSUC held a special conference on employment and unemployment statistics to encourage BLS to improve both the timeliness and usefulness of its monthly releases.

This special conference as well as more recent roundtable discussions at FSUC annual meetings and the work of FSUC's Committee on Long Range Improvements in Federal Statistics revealed a broad concern with existing information on employment and unemployment. As users of Federal statistics, we found that BLS officials were aware of inadequacies in present figures and that they had definite proposals for dealing with some of them.

We have every confidence in the integrity of Mr. Clague and his professional staff and in the objective character of the figures they put out. We have confidence that they do the best they can with the resources they have available and within the limitations of human knowledge.



We know that the figures they release can be improved but are convinced that any shortcomings are not due to incompetence or to willful mishandling of data. Specifically, we do not believe that there is any basis for charging that "the claimed rise in unemployment from recession to recession has, to a large extent, been engineered." The concepts and definitions used in the figures on employment and unemployment have been generally accepted as reasonable and workable. The "study in depth" to which Mr. Daniel refers does not in any way constitute a "long overdue reform of the Government's methods of reporting unemployment." Rather it aims at sharpening our understanding of the nature and significance of the unemployment problems by providing additional information on the characteristics of the unemployed. FSUC gave full support to this needed and worthwhile improvement to existing information.

As Chairman of FSUC I welcome your efforts to focus public attention on the need for better unemployment statistics, but I regret that the tone of parts of Mr. Daniel's article may divert attention from the real problems involved by unfortunate and unjustified reflections of the integrity of the present figures, the Bureau of Labor Statistics and its personnel.

Sincerely yours,

R. J. EGGERT,  
*Chairman, Federal Statistical User's Conference,  
Ford Division, Ford Motor Co.*

STANDARD OIL CO.,  
*New York, N.Y., September 21, 1961.*

HON. WILLIAM PROXMIRE,  
*U.S. Senate, Washington, D.C.*

DEAR SENATOR PROXMIRE: Because of your well-known contributions to the work of the Joint Economic Committee, I am writing to offer a few comments on an article in the September Reader's Digest entitled "Let's Look at Those 'Alarming' Unemployment Figures," by Mr. James Daniel.

In effect, this article charges the officials of the Bureau of Labor Statistics with a conspiracy designed to exaggerate its statistics of unemployment and to mislead the Nation into believing that the unemployment problem is more serious than it really is. The charge is supported by gross misstatements of facts and by a series of unjustifiable inferences.

Having worked for several years with the Bureau of Labor Statistics as a member of its Business Research Advisory Council and its subcommittees, I have complete faith in the high integrity of its staff. I feel that the Digest article does the Nation a serious disservice insofar as it impugns that integrity and creates doubts concerning the honesty of the Bureau's figures.

Respectfully yours,

C. ASHLEY WRIGHT.

NATIONAL ASSOCIATION OF MANUFACTURERS,  
*New York, N.Y.*

HON. WILLIAM PROXMIRE,  
*U.S. Senate, Senate Office Building,  
Washington, D.C.*

DEAR SENATOR PROXMIRE: The Business Research Advisory Council to the Bureau of Labor Statistics, of which I have the honor to be chairman, has been much concerned about certain published criticisms which reflect on the honesty and competence of the Bureau. I know that this is a matter of concern to you also as chairman of the Joint Economic Committee's Subcommittee on Statistics. For that reason, I believe you will be interested in the following resolution which was adopted by the council at a recent meeting:

"The Business Research Advisory Council, organized 14 years ago and in continuous contact with the work of the Bureau of Labor Statistics since then, consists of members drawn from the business community, selected from personnel nominated by the National Association of Manufacturers and the Chamber of Commerce of the United States.

"The council concedes that there is room for honest differences of opinion in regard to the methods and concepts used by the Government in collecting statistics on employment and unemployment. On the whole, however, the council believes that the methods used by the Bureau of Labor Statistics provide a reasonable and useful procedure for presenting information on the levels of employment and unemployment.

"The council has complete confidence in the honesty, objectivity, and competence of the Bureau of Labor Statistics and its leadership. It regards public allegations that the Bureau has manipulated its methods and its results with an eye to their political impact as unjustified and unfortunate."

I hope you will feel free to quote this resolution whenever, or wherever, you may think appropriate.

Yours sincerely,

GEORGE G. HAGEDORN.

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FEDERATED DEPARTMENT STORES, INC.  
*Cincinnati, Ohio.*

Hon. WILLIAM PROXMIRE,  
*U.S. Senate, Washington, D.C.*

SIR: I am enclosing a copy of a letter I addressed to the editor of Reader's Digest objecting to inaccuracies in the article in the September issue of Reader's Digest concerning unemployment statistics.

Very truly yours,

MYRON S. SILBERT.

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FEDERATED DEPARTMENT STORES, INC.,  
*Cincinnati, Ohio.*

Mr. DEWITT WALLACE,  
*Editor, the Reader's Digest,*  
*Pleasantville, N.Y.*

DEAR MR. WALLACE: May I, in this letter, discuss the article in the September Reader's Digest by James Daniel on employment and unemployment statistics.

For several years, I have been a member of the Business Research and Advisory Council to the Bureau of Labor Statistics.

Our council represents the business community and the leading business associations. There is another advisory group chosen by the labor group.

Our job is to study the various reports prepared by the Bureau of Labor Statistics and to give them the best advice we can on how to improve them. The Bureau reviews its contemplated programs with our business council.

I have been chairman of the Committee on Manpower and Employment Statistics of this council. Our committee is particularly interested in the subject of Mr. Daniel's article.

I have attempted to evaluate Mr. Daniel's article.

There is always a need to check Government statistics and review underlying definitions. Mr. Daniel had full right to dig into this subject, but I do not believe his digging is accurate, and it is below the standard of good research.

May I say why I think so.

1. The survey of 35,000 households is a reasonably good tool for an estimate of total employment and unemployment. It is probable that a complete person-to-person count of the unemployed would not give a more accurate answer and would be very expensive.

The household sample survey does give a very good approximation. A sample of this size is a sound scientific way to get these figures of employment and unemployment.

2. This survey is conducted by the Census Bureau. I have reviewed the detailed methods and believe them to be scientifically sound and honest.

3. Some years ago, a committee representing several different Government agencies reexamined the questions used on employment and unemployment and made some revisions. I have studied the reports of this special committee and believe them to be very sound and thoroughly honest. This special committee included many other parts of the Government besides the Bureau of Labor Statistics and was truly a Government-wide group of experts.

4. It is only recently that the staff of the Bureau of Labor Statistics received responsibility for the publication and presentation of the monthly figures on employment and unemployment, so it is not correct to say they have prepared news releases for this subject back over the years.

It is my opinion that in the period in which the Bureau of Labor staff has issued figures and analyzed trends of employment and unemployment they have been highly conscientious and have been motivated only by a desire to serve the country well and to do their job accurately.

5. They have not presented a slanted picture on unemployment.

6. They have presented all the figures on employment as well as unemployment. The story on both sides has been made available in the Government reports.

7. The Bureau staff has made special studies on "Who are the unemployed?" It has analyzed the unemployed according to age groups, color groups, and length of unemployment. These have helped to show that the most serious part of unemployment was not the entire number, but primarily the core of longer time unemployed above the age of the recent students. This has helped to give an accurate picture of unemployment.

Why do we take Mr. Daniel's article with such concern?

Because without accurate facts it tends to cast undesired doubt on a capable and honest group of Government workers who have done a very good job and not a bad job.

There is room for continuing searches on unemployment and employment statistics, but such challenges should be made with a high degree of accuracy.

Sincerely yours,

MYRON S. SILBERT.

Senator PROXMIER. As I said, this article has received widespread publicity, and I think that it deserves an answer.

At this point I would also like to say that I was very anxious to get Mr. Daniel to appear before this committee. I wrote him more than 2 months ago inviting him to testify before the subcommittee. I have never received a written reply.

My staff telephoned him twice at his home in Westchester County. Mr. Daniel said he could not accept my invitation, and cited a number of reasons for not doing so, including that it would take him a month to prepare to appear here; that he is going to Latin America at about this time, and that his appearance would not serve any useful purpose.

I asked him to furnish the names of any scholars, professors, or others who would support his views. He said he thought there was a man at Ohio State, but did not give us his name. He also said he would furnish the full response prepared to answer critical letters sent to Reader's Digest. Shortly thereafter he sent my legislative assistant, not me, my legislative assistant who had been in communication with him by phone, a letter marked "personal and confidential," but did not include this response.

So we have had no success in getting him to appear. We would like to have him at any time. He certainly is entitled to his day in court.

Let me go over these quickly and ask you questions on it. He asserts a series of facts about our unemployment statistics. No. 1:

The unemployment "crisis" rests on the credibility of the monthly unemployment report released by the Bureau of Labor Statistics. Through the years the definitions and methods used by BLS to obtain its figures have steadily been altered to magnify the unemployment problem.

Now, in detail—this is what he says, and I am going to go over each of those and ask you to comment on it.

They ask a few questions such as, "How many people here want a job?" they list as employed all residents over 14 who had a job the previous week; as unemployed those not working the week before but looking for work; and as not in the labor force those not working and not looking for jobs.

And so forth.

Now, first, to get back to this question, Is there a specific question that is required to be asked?

Mr. BANCROFT. For each person 14 years and over in the household, the enumerator asks, first, What was this person doing most of last week? Working? keeping house? or something else?

If it is a teenager, the enumerator would say, "Going to school or something else?"

If the person responds that the person was working, then the enumerator goes forward and asks how many hours he worked and what his job description is.

For all those people who were not reported as working and are not reported as totally unable to work, the enumerator then asks, for each one individually, did he do any work at all last week, not counting work around the house.

If the answer to that is "No," the enumerator then asks, "Was he looking for work?" That is the question, not this question of "How many people want work." The phrase "wanting to work" is not asked at all.

Senator PROXMIRE. All right.

Supposing he was doing more than 15 hours of work around the house, his room and board is taken care of, and he wants another job, but has not got it. Is he considered employed or unemployed? He wants another job and he is anxious to get another job, and he may be looking for a job part of the time, but he is working around—I shouldn't say around the house—he is working around, say, this is an economic operation, it may be a little store, it may be a farm, it may be one of literally millions of economic units of this kind we have in America.

Now, is this person who is working without pay but looking for a job considered employed or unemployed?

Mr. BANCROFT. He is considered employed.

Senator PROXMIRE. Employed?

Mr. BANCROFT. If it is revealed that he was working and that he had as much as 15 hours of work, he is not counted as looking for work even though he might have been looking for work.

Senator PROXMIRE. All right.

Representative WIDNALL. May I interrupt at that point?

Senator PROXMIRE. Yes.

Representative WIDNALL. Do you have any breakdown at all between those who go out for a few days cutting grass and babysitting and the like, do they ever admit by way of answer that they are making income out of those things?

Miss BANCROFT. I believe they do. We do not ask how much they earn in our regular monthly surveys, but the Census Bureau conducts once a year a survey on personal and family income and they do have reports for people in these occupations on the amount of money they have earned.

Now, this may not be a completely accurate report, but they do report some income in these jobs.

Representative WIDNALL. A rather interesting commentary; I know in the area I live in up in northern New Jersey, in order to get somebody to cut your lawn or to come in and work by the day, the person in many instances has to pay cash because they want no record of it so they do not have to pay the Government anything. There are some people who are making some fairly lucrative incomes at these particular professions, and you cannot get them to work otherwise.

Miss BANCROFT. We have in our statistics a very substantial number of people who are reporting themselves as babysitters and doing odd jobs in grass cutting and delivering newspapers and so on; they do tell the Census Bureau that they are working.

Senator PROXMIRE. You assure them of confidence, confidentiality?

Miss BANCROFT. Oh, yes.

Senator PROXMIRE. And you feel that—I do not know how you estimate it—but you feel that these people are frank? This, I think, is a very good point Mr. Widnall has. A lot of people do not want the Government to know—and here is a Government official coming in—that they have an income, because they do not want to be taxed on it and report it. Maybe they are going to make \$600 or more and be required to file.

Miss BANCROFT. Well, the census enumerators do not usually look like Government officials.

Senator PROXMIRE. They are.

Miss BANCROFT. Typically, they are comfortable looking middle-aged women and they are able to establish good rapport.

Senator PROXMIRE. They show their credentials?

Miss BANCROFT. They show their credentials, and one of the very first things they say is that this information is entirely confidential, has nothing whatever to do with taxes or any other form of Government activity.

Senator PROXMIRE. I see.

Miss BANCROFT. Since they do tell us all kinds of things that you would not expect to hear, I think they are really pretty frank.

Senator PROXMIRE. Now, these people who have these odd jobs, and so forth, are they considered employed?

Miss BANCROFT. Yes.

Senator PROXMIRE. In other words, if a man has a job as a welder or a skilled job, and he is laid off, but he works as a babysitter during the week, is he considered employed?

Miss BANCROFT. If he is paid for it, and if he tells us that he was a babysitter for pay he would be considered employed.

Senator PROXMIRE. If he mows somebody's lawn, and they give him a couple of bucks, he is considered employed anytime during the week?

Miss BANCROFT. That is right.

Senator PROXMIRE. There is no qualification of it?

Mr. CLAGUE. Let me emphasize what Miss Bancroft said. We do not ask him about the money he earned, we ask him about the hours he worked. But if he said he mowed the lawn for 3 hours, he would be listed as employed even though he was an unemployed welder.

Senator PROXMIRE. Did you have any figures in this category, in other words, people who have just part-time jobs who are so relatively insignificant, would there be hundreds of thousands; would there be, perhaps, a million or more people?

Miss BANCROFT. We do ask each month for persons who report that they worked for less than 35 hours that week, what is the reason they had this short workweek. Out of this information we develop statistics on those who are working part time for what we call economic reasons; that is, they cannot get any more work or there has

been some kind of a short layoff or some such reason as that. We do tabulate the number of those who worked for a very short period.

We could give you the number who have less than 15 hours.

Senator PROXMIRE. They are considered employed, they are not part of the unemployment statistics, but you keep a separate record of those who work what, less than 15 hours?

MISS BANCROFT. We have a great deal of information on the number of hours worked, and so we probably could give you almost any kind of a figure on that that you would like.

Mr. CLAGUE. In fact, I might emphasize, Mr. Chairman, that every month we publish the number of those persons who are working part time for economic reasons; in other words, they are working part time, but they want more work. You will notice they are divided into two classes: Those whose job is usually full time, but they are now only working part time, which means that their employer has put them on part-time work. The other class are those who are on a job which is only a part-time job. It may be only 15 hours a week. These workers say they want full-time jobs, but they do not have any opportunity to build that particular job up to full time.

Senator PROXMIRE. There is a great difference because they might be down to a 30-hour week, and even a 35-hour week may be a part-time week.

Mr. CLAGUE. Yes.

Senator PROXMIRE. But, on the other hand, if they are laid off, and like anybody who wants to do everything he can possibly to get a little income, keep the family together, they take odd jobs here and there, then they are still considered to be employed if they take an odd job during that week, no matter how little they make if they tell you they worked?

Mr. CLAGUE. That is correct. The domestic workers might be a good example of that here in Washington. A domestic works 3 days, but she might like 5; she answers that she wants full-time work, but she knows her job is now only a part-time job.

Senator PROXMIRE. Will you make available for the record at this point—I know you have made it available elsewhere—but at this point, the number of persons working at part-time work, not their regular job?

Mr. CLAGUE. Yes, we can do that.

Senator PROXMIRE. All right.

(The information referred to is as follows:)

Part-time workers who usually work less than 35 hours because of economic reasons include several types: those who have lost their regular jobs and have picked up some part-time work; those whose regular job has been cut back to part-time for such a long period of time that they now are regularly on a short week; and workers who cannot get as much as 35 hours work a week from a combination of odd jobs, domestic service, and the like.

The number of these regular part-time workers was 1,322,000 in November 1961 (see table). Close to 500,000 were men aged 20 and over, some of whom had doubtless lost their regular jobs and were working part time on some other job. The exact number in this category is not available.

*Persons at work part time in nonagricultural industries who usually work less than 35 hours because of economic reasons, November 1961*

Age and sex:	Number (thousands)
Total.....	1, 322
Male, total.....	588
14 to 19 years.....	103
20 years and over.....	485
20 to 24 years.....	66
25 to 44 years.....	186
45 years and over.....	233
Female, total.....	734
14 to 19 years.....	59
20 years and over.....	675
20 to 24 years.....	90
25 to 44 years.....	260
45 years and over.....	325
Hours of work:	
Total.....	1, 322
1 to 14 hours.....	470
15 to 21 hours.....	381
22 to 29 hours.....	289
30 to 34 hours.....	181

NOTE.—These are (a) persons who wanted but could not find full-time work, (b) persons in chronically slack occupations or industries, and (c) persons who used to work full time but have been on part time so long that they could no longer say they usually work full time.

Source: U.S. Department of Labor, Bureau of Labor Statistics.

Senator PROXMIRE. Mr. Daniel goes on to say:

In 1940, therefore, Washington started classifying anybody who wanted a job as looking for work, even if he said he had not looked because he was sick or "guessed" that no work was available.

Is this correct?

Miss BANCROFT. The definitions that we use now are——

Senator PROXMIRE. Let me say, first, I want to get the distinction of 1940, before 1940, and since 1940.

Before 1940 I presume this is true, or is it true, I should say?

Miss BANCROFT. That is what I was trying to say. Definitions we use now were instituted in 1940, with the one exception Mr. Clague has talked about. Prior to that there was no official definition of unemployment because there were no official statistics on unemployment.

Senator PROXMIRE. I see.

Miss BANCROFT. So it is incorrect to say that the definition was changed. There was no definition.

Senator PROXMIRE. Well, now, is it true that if a person says he did not look for work because he was sick or just guessed there was no work available, that you would still consider him unemployed?

Miss BANCROFT. That is true.

The major test of unemployment is looking for work during the week.

However, it was believed, when these definitions were established, that there would be situations when a person should be called unemployed, although he was not looking for work. There are several categories of those. The most important one, I believe, is a person who is living in a depressed area, or persons who are in stranded occupations, but who report they would have been looking for work, except that they believe there is none available.

Senator PROXMIRE. So it is a small group—5, 10 percent, or so?

Miss BANCROFT. We really do not know; we do not have a measure.

Senator PROXMIRE. But you would estimate that it would be a small minority?

Miss BANCROFT. I believe it is a small group.

Senator PROXMIRE. Who are in this category of those who did not believe there was work?

Miss BANCROFT. Yes.

The second exception was those who had been looking for work but temporarily were not looking for work because of illness; the third category are persons who were waiting to be called back from a layoff of indefinite length; and finally those who have made an effort to find work prior to the survey, but who are now waiting to hear the results.

Senator PROXMIRE. If a person is sick, absent with leave, but with no pay whatsoever, he can go back to his job, perhaps, if he or she recovers; are they considered employed?

Miss BANCROFT. Employed.

Senator PROXMIRE. Employed. They have not worked maybe for months or maybe longer, but if they have a job waiting anytime they are considered employed?

Miss BANCROFT. We ask "Even though you didn't work last week, do you have a job or business?"

And if they say "Yes," we count them as employed and list the reason for their absence.

Senator PROXMIRE. OK.

Representative WIDNALL. A promise of a job 31 days after—does it have to be within the 30-day period?

Miss BANCROFT. It does; 31 days he would be classified as not in the labor force.

Representative WIDNALL. Would he be considered unemployed if he had a promise of a job 31 days after?

Miss BANCROFT. No. He would be considered not in the current labor force, if he is not working and is not looking for another job now.

Senator PROXMIRE. Now Mr. Daniel's next statement is:

In the 1940 decennial census the actual head count of the entire country turned up noticeably less unemployment than BLS was reporting.

Miss BANCROFT. Well, of course, BLS was not reporting anything on unemployment in 1940 because they did not have the responsibility for these figures.

The second error in that statement—

Senator PROXMIRE. What were the unemployment figures we had in the thirties; what was their source?



Miss BANCROFT. They were estimates largely derived from building up, first, estimates of the labor force, and then estimates of employment built up from fragmentary data on the number of people on payrolls. Unemployment was the difference between those two figures.

Mr. CLAGUE. I might say on that point, Mr. Chairman, that is where our employment data in the Bureau of Labor Statistics came in. We were getting reports from employers and governments as to the amount of employees on payrolls. So they built up an estimate as to how many people were presumably in the labor force and how many were on these payrolls; the difference was the unemployed.

Senator PROXMIRE. All of these figures which were used in the thirties so readily in economic analyses are just based on the roughest kind of basis of what the labor force is, and there was not a question asked of anyone except as to the rudimentary—

Mr. CLAGUE. That is right. There was no basis for comparison at all. Those were crude estimates one had to use in the 1930's; you did what you could do with all kinds of partial data to try to find out the true situation.

That is why I indicated earlier that this particular household survey was set up when they were trying to manage the Federal works program. They needed to have some approximation of current unemployment; and, therefore, they set up this sampling technique. Nothing existed prior to that time.

Senator PROXMIRE. The next statement is:

In 1950 the regular census takers found 20 percent less unemployment than BLS enumerators.

Miss BANCROFT. Again, both of these sources were Census sources. The Census Bureau conducted the decennial census and sample household survey. A great deal of work was done to analyze these two sets of numbers.

Actually, the records of the person in the sample was matched with his record in the census, and the Census Bureau was convinced, and has said so in their publications, that the enumeration of unemployment was much more adequate in the sample survey than it was in the decennial census.

The decennial census takers are paid on a piece-rate basis, and they frequently did not ask enough questions to establish whether or not the person was unemployed.

Senator PROXMIRE. These are different people? You say BLS enumerators are not Census people.

Miss BANCROFT. There were no—

Senator PROXMIRE. That is an entirely different problem. One is the Department of Commerce and the other was the Department of Labor.

Miss BANCROFT. There are no BLS enumerators now. The entire operation was conducted by the Census then and is now.

Senator PROXMIRE. I see; that is right.

Miss BANCROFT. But there is no question in any of the minds of people who have worked with those figures but that—

Senator PROXMIRE. This is a fantastic difference though; 20 percent is not just an error; 20 percent is—

Miss BANCROFT. It is not a sampling error.

Senator PROXMIRE. This is a drastic difference in technique.

Miss BANCROFT. The difference is in technique; and most of the difference was in the case of women and young people who were not adequately questioned by the enumerator as to whether they were looking for work.

Mr. CLAGUE. If I might repeat what Miss Bancroft said, to emphasize this point, the census enumerators in the regular census are paid by the piece. They get so much per name.

Senator PROXMIRE. And your enumerators who do the regular job are Department of Commerce personnel, too?

Mr. CLAGUE. Yes. The Census also has enumerators who take the sample survey. They are permanent employees on a regular payroll. They are paid by the hour, and their effort is to get the best answers they can.

In other words, they do not have the incentive to cut the number of questions in order to fill out the schedule sooner.

Miss BANCROFT. Also, they were much better trained. They have been working on the job for a much longer period of time.

Mr. CLAGUE. They are permanent employees working all the time.

Senator PROXMIRE. It is true the regular census was more comprehensive. In other words, they did not inquire of 35,000 households; they inquired of all of them.

Mr. CLAGUE. That is right.

Senator PROXMIRE. All of them. That is a little disturbing, don't you think?

The ones who go out in 1950 and inquire in every single home in America, come up with 20 percent less unemployment than your sample.

Miss BANCROFT. This was true in many fields, that the survey results were considerably higher than the Census counts.

Senator PROXMIRE. How about 1960? He does not mention that in his article.

Miss BANCROFT. We do not have the results yet for 1960.

Senator PROXMIRE. I see. When will that be available?

Miss BANCROFT. I believe in a month or two.

Senator PROXMIRE. In a month or two?

Miss BANCROFT. Yes.

Senator PROXMIRE. All right.

Then he discusses what we have already discussed, unless you want something more, that in 1954 the BLS revamped its field forces, dispersed the households to be interviewed over a larger sample area, and—

gave its new enumerators intensive training in sniffing out elusive cases of "marginal and occasional workers" who could be classified as unemployed. In their first month the new polling personnel found 3,100,000 Americans out of work, while the old enumerators found only 2,400,000—a difference of 700,000 or 22 percent.

Then he goes on to say that—

BLS kept the more "efficient" new enumerators, let the others go.

I presume this is what you explained earlier, that you feel this is a much more efficient, accurate, thorough, fair enumeration. It has not been criticized by these competent experts in the field; is this correct?

Mr. CLAGUE. Yes.

Miss BANCROFT. The only enumerators who were dropped were those who were working in sample counties which did not remain in the larger sample.

Senator PROXMIRE. You did not drop them because they were not zealous enough in finding the employed?

Miss BANCROFT. No.

Mr. CLAGUE. The only point was these workers in those counties knew they were going to be dropped out. They knew that a number of them would be through when the 3-month period of overlap was over. Speaking for the Census now, we are convinced that what happened is that they slacked up in their work very decidedly, because they were going to be out of a job eventually anyhow.

Senator PROXMIRE. All right.

Representative WIDNALL. Senator, could I come back to those 1950 figures again? I did not quite understand that.

Did you sum that up by saying that the difference was 20 percent?

Senator PROXMIRE. This is what was said in the article.

Representative WIDNALL. Twenty percent in the employment figures?

Miss BANCROFT. Unemployment figures.

Senator PROXMIRE. In 1950 the regular census takers found 20 percent less.

Representative WIDNALL. I think in the record you said 20 percent less of employment.

Senator PROXMIRE. If I did, I appreciate the correction.

Then he goes on to say:

So classified, for example, are: persons temporarily unable to work at their jobs because of labor disputes in other industries—

Is that correct?

Miss BANCROFT. That is correct.

Senator PROXMIRE (reading):

Persons who have quit their jobs to try to improve their economic status.

Miss BANCROFT. If they are looking for other jobs.

Senator PROXMIRE. In other words, anybody who quits and wants another job is considered unemployed.

Miss BANCROFT. If he is looking.

Senator PROXMIRE. Looking. [Reading:]

Persons who have quit from dissatisfaction and have become floaters; persons looking for part-time or temporary jobs to earn pin money.

How about that?

Miss BANCROFT. If they are looking for work.

Senator PROXMIRE. In other words, if you have a 15-year-old girl who goes to high school and is looking for a job as a babysitter now and then, would she be considered unemployed?

Miss BANCROFT. If she was looking during the week surveyed she would be listed among the unemployed. And we publish—

Senator PROXMIRE. Hasn't there been any policy dispute on that? I am just wondering about that one.

Miss BANCROFT. Yes, I think that some people feel that a teenager should not be in the labor force and she should not be among the unemployed.

Senator PROXMIRE. Well, if they are going to school full time, and if they are obviously being supported by their parents, I do not know if

you can get a category big enough, but it just seems to me there would be—my daughter, for example, works as a babysitter during 2 or 3 weeks out of the month, maybe. If the enumerator came in a week when she was not working, I suppose she would be considered unemployed, and I kind of resent that.

Miss BANCROFT. If whoever reported for her said she was looking for work, she would be, but it is unlikely she would say she was looking for work.

Senator PROXMIRE. Well, I am not suggesting we remove teenagers. I am just saying, I am just wondering, because there is obviously a big and important and very, very tough unemployment problem.

For one who finishes school and looks for a job, 16-, 17-, 19-year-olds, they are really important. But the ones who are in school, that is something else. I see what you do.

Mr. CLAGUE. Mr. Chairman, I think I would like to make one point clear. We ought to note how many 14- or 15-year-olds there are in the unemployment group—only about 70,000 in December. They are only a small fraction of the teenagers in the labor force.

Senator PROXMIRE. I think 14, 15, any age, as long as they are at college or living at home or high school, and this would also include college students who, of course, in many cases have to, in order to stay in school, supplement their tuition.

Mr. CLAGUE. That is right. Many of them are working their way through school.

Senator PROXMIRE. OK.

Then he goes on to say this:

A review of the last 20 years of Bureau of Labor Statistics' curious operations makes it clear that the claimed rise in unemployment from recession to recession has, to a large extent, been engineered. And now the process of juggling statistics to show progressive deterioration in the U.S. economic system is about to move another step forward: Under study in Washington are strongly backed proposals to count as unemployed persons working less than 40 hours a week or working at less than top grade and salary.

Have you heard such proposals as those?

Mr. CLAGUE. I think they are referring to a question you asked us to work on, namely, the part-time employed who want more work. There is nothing new about that proposal. It came up before your committee in 1955. You reviewed it intensively.

There has been an argument advanced from time to time, particularly by the labor union representatives, that because a man works 5 or 10 hours a week, he should be listed as unemployed as well as employed. They have said that there should be some way of trying to take account of his partial unemployment.

In the 1955 review we took the position, which was presented for us by Mr. Bowman, of the Office of Statistical Standards, that this would be mixing up two kinds of classes. If we classify a person as partly unemployed and partly employed, we would be counting him twice; that is, as an individual. The proposal was that two persons working 17½ hours a week would make one wholly unemployed person because their lost time would equal 35 hours a week.

We did not like that method, and we opposed it.

However, you asked us to try to devise another way of doing it, and we have done so in Miss Bancroft's paper, in which she adds up the employed hours for the whole economy and the unemployed hours,

and then relates those two to the combined total. We have given you some statistics to show that relationship.

That is a perfectly legitimate question. In Miss Bancroft's paper we call it the labor utilization rate. What we have done is to add the estimated hours lost by the short-time workers to the total hours lost by the unemployed. This shows the shortage—

Senator PROXMIRE. Have proposals on requests and suggestions with respect to this been related exactly to that; in other words, getting the detail—

Mr. CLAGUE. That is right.

Senator PROXMIRE (continuing). Rather than saying these should be included as unemployed?

Mr. CLAGUE. That is right.

Senator PROXMIRE. There have been statements made on the floor of the Senate and elsewhere that we should consider not only that we have 6 or 7 percent out of work, but in addition to that there are part-time employment problems that relate to this.

Mr. CLAGUE. Yes; that is right. There is a part-time unemployment problem which somehow should be counted in. We have never found a way to do it unless this new method is satisfactory and is adopted.

Senator PROXMIRE. Then I have just one or two more questions on this. He says:

Fact No. 2: U.S. unemployment statistics cannot be compared with those of the rest of the world.

He goes on to say that in other countries they normally exclude marginal and occasional workers such as housewives, children, and old people, and that Dr. Seymour Wolfbein of the Department of Labor told the New York Times: "If we applied the same measuring rod as Europe, our unemployed would be 3 million."

Is this generally correct?

Mr. CLAGUE. Well, let us put the situation this way:

In the European countries, in many of those countries, the count of unemployed consists of the people drawing unemployment compensation benefits.

Therefore, in this country, if you had an exactly comparable figure, it would be the number of people drawing unemployment compensation.

Senator PROXMIRE. You say Canada and Japan—you said earlier in your testimony today they use our system.

Mr. CLAGUE. Canada uses our system exactly. Their unemployment rate is higher than ours. They use exactly the same method.

In some countries, as in Sweden, they have a regular method, which is the unemployment of previously employed people; that is, those entitled to unemployment benefits. This would leave out most teenagers, and new entrants into the labor market; they would not get counted, since they are not entitled to benefits.

But Sweden also uses our system—they do not do it regularly, but periodically they have tried this system—that is, getting information from the household for all members of the family. The effect of it was to raise their unemployment rates, which now are rather low. Their official rate is, I think, something like 1.5 percent. The new system, when it was introduced, had the effect of almost doubling their

rate, showing that you do find unemployed people by this method who would not be entitled to unemployment benefits.

But that fact does not prove they are not genuinely unemployed.

All new entrants into the labor force, the engineer who graduates next June, the high school student who is going to quit school next June, these will not be classified as unemployed unless there is some method of surveying them while they are looking for their first job.

Our method does that while some European methods do not.

Senator PROXMIRE. Are 5 and 3 roughly correct?

Mr. CLAGUE. At the time the author was writing that sounds about right. Wolfbein must have been referring to the unemployment insurance figures.

Senator PROXMIRE. Then, to sum up, your position is that as long as these figures are consistent, No. 1, as long as we realize that there is a difference between the two countries and, therefore, we cannot compare them one for one, that the method you used, while very important to understand, is not as important as keeping relationships.

In other words, from our standpoint, if we had 3 million unemployed instead of 5 million, the situation would be just as alarming if you understood what the 3 million amounted to, that you are excluding teenagers, and this was worse than it had been in previously comparable periods, and so forth?

Mr. CLAGUE. That is right. We publish every month the number of men over age 20 who are unemployed.

Senator PROXMIRE. The number of men what?

Mr. CLAGUE. The number of men over 20; in other words, adult men. We publish the unemployment numbers for adult women; we publish the number of unemployed teenagers. In other words, our idea is to get the maximum possible understanding of the labor force situation, of the employment and unemployment situation.

Our figures are more enlightening than those in European countries, even though it turns out that their unemployment rates look better than ours. The fact is, Mr. Chairman, as you said, the economic situation would still be the same, if we called the unemployed in this country 3 million. The actual situation that we are trying to portray would not be fully represented. You would have a different picture.

If you wish to count unemployed adult men only, you could say that there are 2 million adult men unemployed in this country. This is an important figure, but it is not the whole story.

The point is that our system is directed toward giving as complete a picture as possible of the labor market.

Surely, it does result in this unfortunate situation. These comparisons are being made; and even though these international figures are not comparable, statistics are being published on this basis. In the Bureau of Labor Statistics we are now making a study of a number of European countries. We hope to have some comparisons, which we would like to make available to your committee, of the unemployment figures in these various countries, related as nearly as possible to our own figures.

By the way, I do want to emphasize that in most European countries the true unemployment rates, the true comparable rates, are definitely lower than in this country. They do not have so much turnover as we have. They do not have such a rapidly changing economy. They

do not have such vast distances for workers to move from one job to another job somewhere else in that country.

So let us not be misled; our rate is higher than their rates, even if you make all the adjustments. But the difference is not anything like as much as shown by the published figures.

Senator PROXMIRE. Our rate is certainly fantastically higher than West Germany's.

Mr. CLAGUE. Yes.

Senator PROXMIRE. Enormously; at least everybody I have heard talk about it says they have a labor shortage.

Mr. CLAGUE. Yes.

Senator PROXMIRE. The same thing is generally true in Western Europe as distinct from England.

Mr. CLAGUE. Yes.

Senator PROXMIRE. The same thing is true about Japan?

Mr. CLAGUE. Yes; Japan has very full employment.

Senator PROXMIRE. So they have no unemployment problem at all.

Mr. CLAGUE. That is right.

Senator PROXMIRE. We do have, and have a very tough one.

I would just like to suggest, in conclusion, in view of the fact that this is, in the judgment of many people, the No. 1 economic problem, domestic economic problem, that faces us at the present time, a very, very serious problem; in view of the fact that the Commission on Money and Credit has asserted that we do not have the intelligence, we do not have the statistics, we do not have the information; don't you feel there is a great deal more information we can get in addition to the samples we are going to receive, on the nature of a few unemployed people so that we can get the kind of intelligence that we need to really hit this problem hard, and efficiently, and do so with policies which are as precisely tailored to meet it as we can?

Mr. CLAGUE. Mr. Chairman, my answer is a resounding yes. We do feel very strongly that this problem needs to be known in more ways than we now know it.

We have some more funds this year, as we have indicated, to do some special studies which we hope will throw more light on the problem.

We have asked for funds for next year, which we hope we will get in the appropriation process, which will do more along this line.

Our feeling is that this problem is going to be complex in this country, that we are entering in the 1960's into a very dynamic economy, not a disappointing one necessarily, a very dynamic economy. But we also have a growing imbalanced labor force—many youngsters, many oldsters—a labor force that is not smoothly related to the population. Consequently, we think that there are going to be a good many problems of the kind that have already appeared in 1960-61.

The situation may get worse rather than better from the point of view of the employability and adaptability of the labor force, particularly about the middle of the decade, when we get another large flood of young people coming in.

Our judgment is that what is needed is not to condemn the figures that we have now, but rather to see if we cannot do more work in developing them, explaining them and getting answers to questions.

Senator PROXMIRE. Didn't you write a letter in reply to Mr. Daniels' article?

Mr. CLAGUE. Yes.

Senator PROXMIRE. I would like to put that in the record also, if you don't object.

Mr. CLAGUE. Oh, yes. I would be glad to do so.

Senator PROXMIRE. It would be appropriate.

Mr. CLAGUE. Yes.

Senator PROXMIRE. Because these questions are just related to a few of the specific criticisms.

(The document referred to follows:)

U.S. DEPARTMENT OF LABOR,  
BUREAU OF LABOR STATISTICS,  
Washington, D.C., September 15, 1961.

Mr. DEWITT WALLACE,  
Editor, *The Reader's Digest*,  
Pleasantville, N.Y.

DEAR SIR: I have read with dismay the article by James Daniel in your September issue. I cannot recall ever having read a short article in which so many inaccurate statements were presented in support of such unwarranted conclusions. I am amazed that a reporter on the staff of the Reader's Digest could submit a story containing so many errors. Proper inquiry in or out of government could have given prompt warning as to its many inaccuracies.

The conclusions offered, being wholly unsupported by the facts, are unpardonable. The Bureau of Labor Statistics, for which I am responsible, is an old and honored agency of the Federal Government. Its nonpolitical direction and operation have been so jealously guarded by successive Presidents that only six Commissioners have been appointed since 1884. It is as unbiased and objective in the social sciences as the Bureau of Standards is in the physical sciences. Yet it is this Bureau that has been singled out by Mr. Daniel as having artificially created the present unemployment problem.

Even the most casual inquiry would have revealed that, until 2 years ago, the Bureau of Labor Statistics had no connection with the collection, tabulation, or publication of the unemployment figures. Only during the past 2 years has this Bureau had administrative and publication responsibility for the unemployment data. The ultimate responsibility for definitions and methods has never rested with either the Bureau of Labor Statistics or the Bureau of the Census, which actually collects and tabulates the information, but in the Bureau of the Budget. In settling definitional questions the Bureau of the Budget has consulted all principal Government agencies, persons outside Government interested in the figures, and distinguished economists and statisticians attached to universities and private research institutions.

The only definitional changes made in the unemployment count since World War II were adopted in January 1957 in the above manner, with a resultant net effect of a small percentage addition to the unemployment total. But the published figures were at that time revised back through 1947 to be consistent with the newly adopted definitions. Hence, from 1947 to the present, there have been no definitional changes which influence the reported rising trend of unemployment.

The preceding is only illustrative of the multifold factual inaccuracies in the article. I am attaching a compendium of inaccurate reporting. The most serious aspect of Mr. Daniel's article is his charge that responsible officials of the Government of the United States have engaged in a deliberate conspiracy over a long period of time to misinform the American people. There can quite properly be debate on just what definitions are most useful and appropriate for counts of employment and unemployment. There is no justification whatsoever for any doubt as to the integrity of the numbers which the system produces. I should like to call your attention to an editorial in the Wall Street Journal for August 30 which makes exactly this point.

Since the bulk of your reporter's accusations are based on palpably false premises—particularly in view of the fact that this Bureau was not responsible for the reporting of unemployment during most of the period referred to—the Digest might at least partially repair the damage to reputations by setting the



facts straight for its readers. Could you not carry another article in an early issue to present your readers with an accurate statement on the measurement of unemployment in the United States?

Very truly yours.

EWAN CLAGUE,  
*Commissioner of Labor Statistics.*

COMMENTS ON SEPTEMBER 1961 READER'S DIGEST ARTICLE, "LET'S LOOK AT THOSE 'ALARMING' UNEMPLOYMENT FIGURES," BY JAMES DANIEL

This article in the Reader's Digest asserts that the U.S. Bureau of Labor Statistics has juggled the unemployment figures over the past 20 or more years in order to magnify the unemployment problem so that new Federal spending programs and new controls over the economy could be imposed. A favorable story that might be related regarding employment, the article contends, goes untold. The article goes on to say that, in addition to overstating the problem, Washington is understating what is being done to help the unemployed. These accusations are decked out with many factual errors. The more conspicuous of these errors are listed below:

(1) The suggestion that the results of the survey have been juggled through changes in methods and definitions is false. The concepts, definitions, methods of collection, and other technical matters affecting the household survey have been a Federal Government responsibility, under guidance and review of the Office of Statistical Standards of the Bureau of the Budget. The Bureau of Labor Statistics has been one of several agencies represented on the interagency committee of the Bureau of the Budget which has reviewed and approved every important development since the beginning of the survey in 1940. The only change in definition of unemployment in the past 21 years was thoroughly discussed with representatives of business, labor, and the public and was generally approved before it was adopted. Various congressional committees—Appropriation Committees, the Joint Economic Committee, and others—have been kept informed regarding these concepts and procedures and have continued to support and to rely upon the survey.

(2) The accusation that the BLS has long manipulated the survey, the field work, and the definitions is not only false but absurd. There has been no such manipulation by BLS or any other Government agency. In fact, the BLS had no administrative contact with this survey until mid-1959. For about 2 years after its inception, the survey was conducted by the Work Projects Administration, thereafter by the Bureau of the Census. In July 1959, responsibility for the analysis and publication of the employment and unemployment statistics was transferred to the BLS, but the sampling, collection, and processing have remained at the Census Bureau. At no time has an employee of the BLS conducted any of the interviews.

(3) The foregoing points demonstrate the falsity of the many statements which impugn the integrity of the Bureau of Labor Statistics. For example, on page 67 the author says "Through the years the definitions and methods used by BLS to obtain its figures have steadily been altered to magnify the unemployment problem." On page 69, "A review of the last 20 years of the Bureau of Labor Statistics' curious operations makes it clear that the claimed rise in unemployment from recession to recession has, to a large extent, been engineered. And now the process of juggling statistics to show progressive deterioration in the U.S. economic system is about to move another step forward \* \* \*"

Aside from the absurdity of charging the Bureau with actions over which it had no control, no basis exists for this undisguised attack. Under various auspices the unemployment figures have been produced for over 20 years under high statistical standards. Both Republican and Democratic administrations have approved and supported the operation of the survey that produces them.

(4) The statement (p. 67) that "The unemployment 'crisis' rests on the credibility of the unemployment report released by the Bureau of Labor Statistics" is also misleading, since the trends in unemployment are clearly reflected by independent evidence. Insured unemployment—the count of persons who have lost their jobs in industries covered by the insurance systems and who have been found eligible for benefit payments—has also shown a rising trend over the past decade. After recovery from both the 1954 and 1958 recessions, the insured unemployment rate, like the total, failed to fall back to prerecession averages. The insured rate averaged 2.8 percent during 1951-53, 3.4 percent

during 1955-57, and 4.6 percent in 1959 and 1960; the total rate was 3.1, 4.3, and 5.5 percent at comparable dates.

Another entirely different source also confirms the recent rise in unemployment. Each month, the BLS compiles data from payroll records of a sample of 180,000 establishments employing about 25 million nonfarm wage and salary workers. Between July 1960 and February 1961, nonfarm employment, as reflected in these reports, fell by 1.2 million, after allowance for seasonal changes. During the same period, total unemployment rose by almost the same amount. By July 1961, the number of nonfarm employees had returned to the level of a year earlier, but unemployment was still high because of the growth of the labor force—900,000 over the year.

(5) Aside from the above, the article is marred by numerous inexcusable errors of fact.

(a) On page 68, paragraph 1, it is suggested that Census Bureau interviewers ask "How many people here want a job?" This is false; no such question is asked. If it were, it would greatly inflate the estimates of unemployment since millions of people want jobs but do not look for them.

(b) The clear implication of paragraphs 2 and 3, page 68, is false. These paragraphs suggest that the questions used in identifying the unemployed in this survey in the thirties were changed to include certain persons not looking for work. In fact, the survey was not initiated until 1940. The change in 1945 was made to increase the accuracy of the statistics. The effect of this and other changes in the questions was to obtain a more complete count of persons with some employment and a reduction in the count of the unemployed.

Thus the statement that this change "gave enumerators free rein to use their own discretion as to how many persons in a household who were not at work were actually 'unemployed'" is not true.

(c) Paragraph 4, page 68, erroneously refers to differences in BLS and decennial census unemployment figures in 1940 and 1950. In fact, the BLS did not survey unemployment in either year; the "BLS enumerators" referred to did not exist. The 1940 sample survey was made by the WPA and in 1950 the Bureau of the Census conducted the sample survey as well as the decennial count. Subsequent Census Bureau research led to the conclusion that the regular census counts of unemployment were too low. The 1940 figure was later revised upward by the Census Bureau; the 1950 figure was officially declared too low.

(d) Page 68, paragraphs 5 and 6: The description of the expansion of the sample from 68 to 230 areas in 1953 and early 1954 is a distortion. It is false to attribute the changes of enumerators to the BLS, which had no administrative connection with the survey at that time. It is false to suggest that the agency conducting the survey (the Bureau of the Census) kept only the more efficient new enumerators who were more adept at "sniffing out elusive cases of 'marginal and occasional' workers who could be classified as unemployed." Enumerators were dropped by the Census Bureau only if the county in which they lived and worked did not continue in the larger sample. Moreover, the results of the two samples were very close after the two groups of enumerators had been given the same training course.

(e) Page 70, paragraph 3: The author says, "The United States has a fine employment story to tell, but it goes largely untold." The fine employment story which he outlines comes almost entirely from the reviled household survey and has been told repeatedly by the BLS.

In every monthly report presenting the unemployment figures, the employment situation is also described. Furthermore, many special reports are prepared which examine the changing level and composition of employment. For example, between July 1960 and June 1961, articles in the *Monthly Labor Review* discussed the extraordinary growth of the part-time work force, the rising trends in white-collar occupations, the expansion of employment during the decade of the fifties, and the employment experience of the 1960 class of high school graduates. An important part of the BLS program is to project the demand for workers in specific occupations, and to publicize the needs for various types of workers in the future as a guide for manpower planning and for individual career decisions.

[From the Wall Street Journal, Aug. 28, 1961]

[NOTE.—Permission has been received from the editor of the Wall Street Journal to reproduce this article and editorial]

### THE UNEMPLOYMENT STATISTICS—COMMISSIONER CLAGUE VIEWS THE METHODS OF MEASUREMENT

(By Ewan Clague)

Mr. Clague, who is Commissioner of Labor Statistics of the U.S. Department of Labor, has frequently found his figures under fire. He prepared this assessment for the Wall Street Journal.

The problem of unemployment has received more public attention in 1961 than at any time since the depression of the 1930's. The current overall rate of unemployment (about 7 percent of the total civilian labor force) has led some people to raise questions concerning these statistics.

Who is counted as unemployed? What are we trying to measure? And why are we measuring it? The general answer to these questions is that the measurements which have been devised were determined by the public purposes to be served.

The Employment Act of 1946 declared the maintenance of high employment to be the established policy of the Government. Under this act, the Federal Government was given responsibility for creating and maintaining conditions under which "there will be afforded useful employment opportunities, including self-employment, for those able, willing, and seeking to work." If there had been no nationwide system of employment and unemployment statistics in existence at that time, it would have been necessary to create one.

As it is, the household survey, the employer reports of employment and hours of work, and the unemployment insurance records, constitute the tools upon which any administration in Washington must rely in analyzing the current economic situation, in determining Government policies to deal with recessions, and in planning for the maintenance of economic growth and stability. I want to discuss the concepts we now use, the misunderstandings which exist, and the adequacy of the household survey data to meet public needs.

Who are the employed? This is not as simple a concept as many people think.

Some groups are easy to classify. In July 1961, there were about 57 million paid workers for a private employer or Government. However, there are individual business proprietors, farmers, self-employed professionals, and others who work on their own—over 9 million altogether. These are more troublesome. Our test is that their work must be for the purpose of bringing in some income; do-it-yourself projects at home do not count.

Then there are some real borderline areas in employment. One is unpaid family labor—a wife helping her husband in his grocery store, or a farm boy working in the field with his father. We count these as employed if they work 15 hours or more during the week in a family enterprise. During the summer there are usually more than 2 million such workers classified as employed. On the other hand, we exclude from the labor force the housewife who works in the home.

Still another borderline area is the worker with a job who is not at work during the week of reference—ill, on vacation, taking part in a strike, etc. Such persons are classified as employed because they have jobs; no new jobs are required for them.

There is one group of workers with jobs, who were formerly classified as employed, but who in 1957 were shifted to the unemployed. These are workers who have been laid off by their employers, but with a notification to return to work within a period of 30 days or less; also, new jobseekers who have a commitment to a job beginning within 30 days. Since these workers often continued to be out of work for 3 or 4 more weeks, and since the promised jobs did not always materialize, it was decided that they more logically belong among the unemployed. When the shift was made in 1957, about 250,000 workers were transferred from the employed to the unemployed.

In each of the above groups are part-time workers. Some of these work only a few hours a day or a few days a week, but want no more work.

There are other part timers who want more work than they have. In recent months there have been about 3 million such workers. They have jobs, so we put them on the employment side of the ledger.

Some critics argue that the time lost by these workers should be converted to unemployment on the basis of assuming one unemployed person for every 37.5 hours lost. However, there are several million workers holding two or more jobs at the same time, and other millions working substantial overtime on one job. If we compute the shortage, we must also compute the excess.

In summary, the employed work force is a varied and heterogeneous group,

Who are the unemployed? Our definition is clear enough in general terms—a person who has done no work during the survey week, but is looking for work.

Also included are persons waiting to be called back from a layoff, or to a new job; those whose search has been interrupted by temporary illness, and persons in stranded communities or occupations who have been discouraged in their search for work because of the unavailability of jobs. Note that this definition does not limit the unemployed to those who are "disemployed"—that is, who have been laid off from jobs.

The most clearly defined type of unemployed is the year-round, full-time worker who has held a job in the past and who is looking for one at present. This would most likely be a male worker, perhaps a head of a family, between 20 and 65 years of age; but it could include a single woman, a married woman, or even a teenager.

Some people think that teenagers should be left out of the unemployed. In the month of June 1961, there were 2.5 million youngsters under age 20 who came out of school looking for work. Some were looking for permanent jobs; others were interested only in temporary summer jobs. Altogether, about 1.6 million found jobs and the remaining 0.9 million were still looking for work by the middle of the month. The sharp June rise in the total unemployment figure for the Nation as a whole was fully explained by this group.

These teenagers, especially those who have never worked before, do raise a conceptual problem. In one European country, no person is considered as unemployed unless he or she has previously held a job. However, I believe that our method is the sounder one. We count as employed those who get jobs. Why leave out those who didn't?

In my judgment these figures supply a useful picture of the labor market. We always tabulate these teenagers separately in every month of the year, so that those using the unemployment statistics as a guide can allow for this group. Also, we seasonally adjust the unemployment rates, so that this summer bulge can be discounted in economic analysis.

What should we do with elderly persons drawing pensions? There are at present almost 12½ million men and women drawing social security benefits. Under the law, such persons are permitted to earn up to \$1,200 per year without loss of benefits. Many of these are counted among the 3 million men and women over age 65 who are employed, almost 900,000 of them in part-time jobs. At present our figures show that the number in this age group seeking work is about 150,000 but this amounts to less than 3 percent of the total unemployed. However, we publish the figures for this group every month, so that they can be subtracted from the total unemployment figures.

Questions are frequently raised about the method of counting women, particularly married women. Should they be counted as unemployed if they are only secondary wage earners or are looking for only part-time work?

But married women make up about one-fifth of all the employed persons in this country, and more than half of all employed women. Almost three-fifths of our increase in employment during the decade of the fifties was accounted for by married women. We can no longer think of them as a secondary or unimportant part of our labor supply.

According to our latest study, the vast majority of unemployed married women—over 80 percent—are looking for full-time jobs (we do not now collect these figures every month, but may do so in the future). Thus, of the approximately 900,000 married women who were unemployed in March 1961, only about 150,000 were looking for part-time jobs. Omission of this group would have little effect on the count, of unemployed and probably no effect on the trend.

In summary, we know that with these broad concepts we include many different kinds of persons with many different degrees of job attachments or job-seeking aspirations. Long and loud arguments have gone on for years about the proper classification of certain borderline groups, but the general structure has proved to be useful.

We recognize also that these concepts alone do not meet every need for information about how our working force is being utilized or how well the economy is functioning in providing the right kinds of employment opportunities to the right people. But they do provide a measure of the number of people who have at least some form of employment, and a measure of the number of jobseekers who have not been able to locate what is to them a suitable job as of a given period of time.

The unemployment rate: The doubts of some people concerning our concepts and definitions arise from their serious concern about the effect on public opinion of the unemployment rate, which is the ratio of the unemployed to the labor force (employed plus unemployed).

We publish two rates for total unemployment: (1) the actual for the month; (2) the seasonally adjusted, which eliminates the wide seasonal variations. In July 1961, they were almost the same—7 and 6.9—but they can differ quite widely.

We in the Department of Labor have continually insisted that analysis of the unemployment problem should not be confined to the overall rates. We regularly publish separate figures and rates for men, for women, for teenagers, by age groups, by marital status, etc. It is also possible to shift some groups and to calculate rates on different combinations of employed and unemployed.

Unemployment policies: But all these classifications and reclassifications, valuable as they are, do not quite get to the heart of the controversy. A key issue has been raised by people who question whether persons who don't really need a job should be counted among the unemployed.

In statistical terms, this is not a practical suggestion. Statistical surveys cannot supply answers to the question of need. It would take a social work investigation of the family to determine that.

Even in concept this is not the way to state the issue. Need has no necessary connection with unemployment, or with employment. There are many millions of persons holding jobs in this country who don't really need them. And surely there must be hundreds of thousands of unemployed who could get along without a job. But in a free economy jobs are not allocated on a basis of need. Even in referring the unemployed to jobs, the employment service puts its primary emphasis on qualifications and ability.

But people who raise the question of need in connection with unemployment are thinking primarily of the social and economic policies for dealing with unemployment. An unemployed worker seeking a job constitutes a labor market fact; but what the Nation should do about it if he doesn't find a job is an entirely different matter.

While statistical surveys cannot measure such factors as individual or family need, some additional and more detailed classifications might be helpful as guides to public policy. For example, Congress has provided funds to the Bureau of Employment Security to make intensive surveys of the workers drawing temporary extended unemployment compensation. These studies will throw light upon that particular group of long-term unemployed.

The Bureau of Labor Statistics is planning some studies next winter on the characteristics of the unemployed to obtain more information "in depth" concerning the degree of attachment of various classes of workers in the labor force. In my judgment one of the limitations in our statistics is our lack of knowledge of the patterns of labor market participation by the unemployed over a period of years. How many of the unemployed are only lightly or temporarily in the labor market as compared with those who have been full-time, year-round workers for many years?

What is needed in connection with the unemployment problem is not to reject the statistics we now have but to provide for more detail and more meaningful breakdowns, so that the data would be more useful for public policy decisions.

[From the Wall Street Journal, Aug. 28, 1961]

## REVIEW AND OUTLOOK—THE PURPOSE OF STATISTICS

A man either has a job or he does not. If he has a job he is employed. If he does not, he is unemployed.

If you merely want to compare the number of people who are working with the number who are not, this presents a logical and adequate definition with a minimum of fuzzy edges.

With such a definition, you can then use standard sampling techniques which will give you a picture of the employment situation in the whole population within a reasonable margin of error. This, as you can see from the article by Commissioner Clague on this page, is the basic approach of his Bureau to measuring the Nation's unemployment rate.

But you will also notice that the Bureau of Labor Statistics does make one major modification in the simple definition of unemployment. Unless a person is looking for a job he is not counted as unemployed.

Now in a purely statistical sense this is rather illogical. A housewife who is not producing income is unemployed in the economic sense however happy she is with her estate—certainly as much so as the housewife in the same estate who wants to work. Nonetheless, the Bureau makes the distinction for a very good reason.

As Mr. Clague explains, "the measurements which have been devised were determined by the public purpose to be served"—that is, to give us some useful and relevant information about the economic state of the country. It would be statistically accurate to count happy housewives—as well as children and old people—as unemployed, but it would be patently ridiculous. Such a figure would not serve the public purpose intended; for that purpose it would misinform.

This leads directly to the questions that have been raised by many people concerning the unemployment statistics. They have nothing to do with whether Mr. Clague is a good statistician. They ask whether the statistics, however accurate, are relevant to the public purpose to be served.

The teenager at our house is unemployed; no question about it. The economy did not provide a job that met the specifications, which included acceptable hours, proximity to home, and relationship to training. As Mr. Clague argues, if a job had been found, employment would have risen by one; so if there is no job for a jobseeker, why shouldn't unemployment be increased by one?

Still, the fact is that this unit of unemployment is not of the same order as the unit of unemployment created by an unemployed steelworker who must support not only himself but a wife and family, although mathematically a unit is a unit.

The unemployed steelworker, especially when his numbers are multiplied, is an economic fact to trouble all thoughtful people. The unemployed teenager may trouble father, but to equate this unit in any statistical measure with the steelworker is ridiculous. It can actually serve the public purpose ill by misleading everybody as to the true state of our economic condition.

The same difficulty is encountered in other areas. We have, for example, more than 12 million people who are retired and draw social security. Some of them also work; some would like to work but haven't found the kind of job that meets their particular circumstances. In the same way as the teenager, they are statistical units to be counted.

Now we all think of unemployment as a bad thing, which in the case of the steelworker it is. Yet actually one of our public purposes is to create a society in which some people don't work. A depressed or backward society is one in which teenagers, housewives, and old people must work to survive. By counting as unemployed those who are impelled to work not out of need but for some other reason—and who can afford to be selective in taking a job—we not only distort our view of economic troubles but we actually obscure one of the very good things about our society.

Mr. Clague himself realizes this, for he has lately begun segregating teenager and retired unemployment. But they are still included in the total figure, so that when somebody says our unemployment rate is 7 percent, or whatever, the irrelevant is lumped with the relevant, the good with the bad.

What, then, do we really want to measure? Certainly not just the number of people who "don't have jobs," nor even those without jobs who might like to have one if the job suits them. The relevant question is how many people whose

livelihood depends upon having jobs are unable to find them. This is the statistic that measures a part of our economic health in a meaningful way.

It begs the question to argue this statistic can't be found because the Bureau can't judge whether the unemployed person is "needy." The Bureau doesn't have to know whether that unemployed steelworker is "needy" in the sense of being without money to buy groceries. His earnings are the support of himself and others and this is what makes his unemployment a meaningful fact.

But this is precisely the statistic for which you will have to burrow deep to find amid the present array of numbers. We are still presented with an "unemployment index" as if it meant what it plainly doesn't, because the Bureau persists in counting as the same thing things that aren't the same thing at all.

If this isn't the cause of all the misunderstanding about the present unemployment statistics it certainly abets it. And, therefore, it seems to us, however accurate they are, Mr. Clague's statistics do not yet best serve the public purpose.

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[From the Wall Street Journal, Aug. 31, 1961]

#### QUESTIONS AND ANSWERS

At a recent press conference Secretary of Labor Goldberg was asked, as the news dispatches reported it, "about a challenge to the accuracy of the Department's unemployment figures" by the Wall Street Journal. Mr. Goldberg replied that the statistics are "highly accurate, highly reliable, and are applauded throughout the world" for their reliability.

There was only one thing wrong with this exchange of words. In the editorial referred to (Aug. 28), this newspaper did not challenge the accuracy of the figures. On the contrary, it accepted them as highly reliable. The question raised by us was whether the classifications of "unemployed" used by the Department best serve the public purpose of informing us about the state of the country's economic health.

Even this got a bit muddled up at the press conference. Mr. Goldberg said he thought "any realistic appraisal of unemployment would include the young man or young woman who has left school and is actually seeking work." So, indeed, do we. But we still think a distorted picture of "unemployment" can result when you also count in teenagers looking for summer jobs merely to pass the time or to pick up a little extra spending money, which teenagers often do.

Mr. Goldberg, we hasten to say, is not at all responsible for the inaccurate questions, and we have no quarrel with what he said. We only wish the right questions had been asked.

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[From the Washington Post, Sept. 14, 1961]

#### UNEMPLOYMENT STATISTICS

In the September issue of Reader's Digest, Mr. James Daniel tenders an interesting explanation for high unemployment. The unemployment rate which recently stood at 6.9 percent, he says, has been manipulated upward by the Bureau of Labor Statistics to push Uncle Sam into new spending programs and new controls. These propositions are supported with a wealth of detail about new definitions of unemployment and new sampling techniques, all designed to produce more statistical unemployment, and about discrepancies among different sample survey results and census counts.

If the author had carried his research a little further, he would have discovered that it is not the Bureau of Labor Statistics, but the Bureau of the Census, which until very recently was in charge of these statistics and still continues to produce them. He would also have discovered that there are ways of analyzing the sources of error when discrepancies appear, such as recourse to the separate body of data on unemployment covered by compensation. And if he had consulted his political judgment, he might have wondered why the Eisenhower administration should have been so eager to juggle the statistics and increase the pressure for public spending. There is no reason for inventing a devil theory of unemployment.

It is true that American methods of counting unemployment yield very much higher results than British and continental methods. We obtain our data

through a monthly sample survey of 35,000 households, and count everyone who is looking for a job. The British count only those who are registered with official employment exchanges. If they used the American system, their unemployment rate would double. Consequently it would be a great mistake to make direct comparisons between the American and foreign unemployment rates. But there is every reason to think that the American is the better method.

What kind of statistics the Government collects must depend on the use it wants to make of them. Under the Employment Act of 1946, the principal function of the unemployment statistics is to give an idea how close the economy is to full capacity operation. For this purpose, the statistics should be as comprehensive as possible, and should include all who are seeking to work, regardless of how badly they need or do not need a job. From this point of view, perhaps one ought to include in total unemployment the time lost through involuntary part-time employment. This has been proposed by Senator Douglas, but there are statistical difficulties. Some of these data are now stated separately.

If the data are to be used as a guide to social conditions, then a single total such as 4.5 million unemployed, and a single ratio such as 6.9 percent, will not do the job. Such figures overstate the extent of distress. Unemployment of a teenager during vacation time, of a social security pensioner, of a housewife with an employed husband, does not mean the same thing as unemployment of a family main breadwinner. Unemployment for less than 5 weeks which accounts for about two-fifths of the present total, does not compare with long-term unemployment, nor unemployment covered by compensation with uncovered joblessness. The Bureau of Labor Statistics supplies detailed breakdowns on these and other facts. Perhaps they should be stressed more, and the large aggregates deemphasized. But in no case is there justification for trying to make things look better by tampering with the statistics, instead of dealing with the problem of unemployment itself.

Mr. CLAGUE. May I add one point, Mr. Chairman: I think the major point that we felt was bad about Mr. Daniel's article was his attack on our integrity, and I mean the staffs of the Census Bureau and the Bureau of Labor Statistics who do this work.

Mistakes may have been made. We make errors once in a while. I have had a number of occasions, as Commissioner, to come out and explain to the public that we made a mistake. If one of our staff makes a mistake, I am responsible, and we confess our error.

Our job is to enlighten the public, and we do so honestly. Any mistakes we have made are those of administration or lack of ability to achieve what we wanted to achieve.

There is nobody connected with these statistics who is not honestly trying to do the best possible job.

Senator PROXMIER. I am positive that is true, and that is the reason, when I put this statement of Mr. Daniel's in the record, I put statements of prominent business leaders, the National Association of Manufacturers, Ford Motor Co., Standard Oil, Federated Department Stores. In view of their associations, these people might be expected to favor, as Daniel does, a minimization of the unemployment problem. These people asserted unanimously that they had absolute faith in your integrity and in your Bureau, so I have no question about that.

But I thought the specific questions he raised deserved discussion, and I think I was certainly illuminated, and I think maybe the record is on some of these points.

Representative WIDNALL. Mr. Clague, I, too, have faith in the Department and personnel who work with you, and I certainly appreciate the opportunity of hearing you today.

I would like to ask this one question that is not relevant to what we have been talking about, but I think it is important if it is true.



It has been called to my attention that we evaluate our exports on a different basis than the vast majority of other countries, on a delivered price as against an f.o.b. price from the other countries.

If this is so, our trade balance is worse than we portray it, by far. If we are adding the cost of deliveries to European nations, while they are evaluating, as their exports to us f.o.b. out of their country, and not adding the cost of delivery—actually, productwise this could cause quite a difference in the statistical appreciation of the problem.

Are you familiar with this?

Mr. CLAGUE. Well, Mr. Chairman, I am not familiar in detail and, therefore, I cannot answer your question as you have posed it.

I can only say that I am quite aware of the fact that the valuing of exports and imports is a very confused field, and that a great deal of work is needed in those statistics to develop comparability.

What you have said may be correct, but I could not validate it from my own knowledge.

Representative WIDNALL. It seems to me if this is true—and, as I have been told, around 135 nations, major nations, evaluate their exports and imports on a different basis than we do, and only one or two major nations work the same way we do on this—it seems to me we are kidding ourselves as to the relationship of our exports to imports, and it can mean a material percentage difference.

Mr. CLAGUE. That may be a field, too, in which there is more need for more detail in the statistics, so that one can find out what the interrelationships are.

My impression is that those statistics have been in the past, and are still, an adjunct of the administration of the tariff act as written by the Congress; in other words, they grow out of administrative actions, and are not collected as statistics, as such. This frequently occurs when data originate from administrative operations.

Representative WIDNALL. That is all.

Senator PROXMIRE. I want to thank you very much, Mr. Clague, you and your staff, for the excellent testimony you have given. It has been mighty useful to us.

The committee will stand in adjournment until 2 o'clock this afternoon, when Mr. Hagedorn of the National Association of Manufacturers will appear.

(Whereupon, at 12:35 p.m., the subcommittee recessed, to reconvene at 2 p.m. this same day.)

#### AFTERNOON SESSION

Senator PROXMIRE. The Subcommittee on Economic Statistics of the Joint Economic Committee will resume hearings.

We are privileged to have before us this afternoon Mr. George Hagedorn, director of research of the National Association of Manufacturers.

We are happy to have you here, Mr. Hagedorn. Proceed anyway you wish. I have had a chance to go through most of your statement. It is a very excellent statement. You can summarize; you can read it; you can skip parts of it, whatever you think is appropriate.

The whole statement will be put in the record.

**STATEMENT OF GEORGE G. HAGEDORN, DIRECTOR, RESEARCH DEPARTMENT, NATIONAL ASSOCIATION OF MANUFACTURERS**

Mr. HAGEDORN. Thank you, Senator. I think I would prefer to summarize it extemporaneously, if I may, sir.

Senator PROXMIRE. Indeed you may.

Mr. HAGEDORN. For the record, my name is George G. Hagedorn, and I am director of the Research Department of the National Association of Manufacturers.

Mr. Chairman, in calling these hearings, you posed three questions to which you would be seeking answers.

One is related to the adequacy of the statistics. The second to the causes of the unemployment situation which has existed since 1957. And the third, to the policy applications of this analysis. And it is within that framework that I will speak this afternoon.

First, in regard to the statistics; each month, of course, a great deal of public interest is generated when the Bureau of Labor Statistics publishes their figures on employment, unemployment, and the detail of the labor force and of the unemployed.

Now, that is good. This is a subject that people should be interested in and should be concerned with. At the same time, many of us have a feeling that these figures are rather widely misunderstood by the public and this does pose a real problem.

Now, let me hastily say that I don't mean that this indicates there is something wrong with the statistics. As you shall see later, I have no radical changes to propose in the methods used in compiling these statistics. But nevertheless, the misunderstanding does pose some problems.

I think the solution to those problems should be sought generally along three directions. First, the education of the public, the creation of better understanding of just what the Bureau of Labor Statistics is trying to measure when they compile figures on employment and unemployment. Second—

Senator PROXMIRE. May I just interrupt at this point? Or I will wait until you are through, if you wish.

Mr. HAGEDORN. Whatever you wish, Senator.

Senator PROXMIRE. Education of the public. This is a good constructive suggestion. It is general. Who would you suggest do it? Is it a matter of a different kind of technique of reporting by the Bureau of Labor Statistics? How do you think we can better inform the public? I agree with you very warmly that there is too much emphasis on the big figure of the percentage of people out of work and the number of people out of work. That is the end of the story. What can we do to make it more newsworthy from the overall standpoint and other aspects?

Mr. HAGEDORN. Well, I think all of us have a responsibility along that line, sir. I would agree—that the National Association of Manufacturers should do what it can to educate its members, for example, and to educate the general public to the extent that we have contact with the general public.

You on this committee I think, Senator, can perform an important function along those lines. Because of the prestige of your committee, you will be listened to and attended to by the people of the country.

I think the Government statistical bureaus should do all that they can do to educate the public. I believe they certainly are making a sincere effort. I think they might do more things such as publishing general informational pamphlets about how these statistics are compiled. This piece prepared by Mr. Bowman that you sent to me, Senator, I think is excellent and highly informative.<sup>1</sup>

Senator PROXMIRE. Very good. Thank you.

Mr. HAGEDORN. Along the lines of creating better understanding, I would say that there should be less emphasis on the overall figures, as you yourself said a moment ago, Senator, and more emphasis on the breakdown, the detail of these employment and unemployment figures.

Now, I am aware, of course, that nobody can tell the newspapers what they should emphasize in their stories as they print them, but again, organizations like the NAM, your committee, and the Government bureaus can have an effect in the emphasis that they place on their analysis of these figures.

Finally, perhaps most important of all, I think what is needed is a better basic understanding of how a free-market, private-enterprise economy works and what forces affect what happens within such an economy.

#### UNEMPLOYMENT AND HARDSHIP

One leading source of misunderstanding of the unemployment figures is the assumption that unemployment is a count of hardship cases, the assumption that everyone who is counted as unemployed is somehow suffering from hardship. The man in the street sometimes jumps to that conclusion because when he thinks about unemployment, he thinks of it in terms of what might happen to him and his family if the breadwinner loses his job.

Actually, of course, it is not the intent of the Bureau of Labor Statistics in compiling its figures on unemployment to make it a count of hardship cases. Rather, the intention is to measure the difference between the number of working people whose services are available to the economy and the number whose services are actually used.

If people who are available are not used, the goods and services they might have produced are a loss to the economy whether there is individual hardship in these particular cases or not. That, I think, is not generally understood, and is a source of misinterpretation of the figures.

It is an especially serious source of misunderstanding when some unfriendly critics abroad use our unemployment statistics to paint a picture of very bad economic conditions in the United States. If we publish the figure "4 million persons unemployed," they interpret this as meaning there are 4 million families without any source of support at all, living in utter destitution. Well, I am not an expert in counter-propaganda, so I won't suggest any detailed ways we can meet this misuse of the figures. But again here is a way in which we should strive to improve world understanding of our figures rather than to tamper with the figures themselves.

<sup>1</sup> "Special Report on Unemployment Statistics: Meaning and Measurement," by Raymond J. Bowman and Margaret E. Martin (Bureau of the Budget, Office of Statistical Standards), Oct. 1961.

The remedy does not lie in revising the figures so as to make them agree with people's misconceptions but, rather, correcting the misconceptions.

We are also at a political disadvantage very often when our unemployment statistics are contrasted with those of certain European nations which collect their data on a very different basis. In most European countries the unemployment figures are simply the total number of persons who are listed in the employment agencies of those governments as looking for jobs.

In that way they miss many people who would be covered in a household survey such as we conduct in the United States.

Again I wouldn't suggest that our figures should be revised to agree with those published in those European countries. It is my understanding that their data are simply a byproduct of the administrative activities of these government employment agencies. This does not represent a deliberate decision on their part to use that method of collecting unemployment data rather than the type of household survey we conduct.

The central issue, of course, in regard to our statistics is whether the definition of unemployment that we use is in some sense the right one. Actually, when the question is posed in that way, it is very difficult to answer it because on so complex a subject as unemployment, any definition that you use is bound to be in a large measure arbitrary. There are many elements in the unemployment compilation that reasonable men could argue with indefinitely.

My reason for suggesting that we ought to stick with what we have is not that I believe that, in some absolute sense, it is more right than any alternative that we could propose, but that any alternative would be just about as arbitrary as the current set of figures that we do have. And therefore, I think we should stick with what we have.

Now, I don't mean to be dogmatic; that I would fight to the last ditch against the least change in our concepts of measurements of compiling unemployment statistics. What I mean to say is that I can't see any need for any broad general overhaul of the concepts or methods used.

A very important reason, I believe, for sticking to the definitions that we have is the reason I gave before—that there is a need for creating better public understanding of these data, and if we change methods and concepts in midstream, it is going to be that much more difficult to create the public understanding that is needed.

I want to talk just briefly about two specific problems in the definition of unemployment. The first is the inclusion among the unemployed of persons who do not have a job and are not looking for a job but who would have been looking for a job except that they thought there was no work available in their community, in the line of work in which they are qualified. The peculiar part of the inclusion of this element is the fact that no one is asked directly in the household survey whether that is his or her situation. Persons are included as unemployed under that category only if they volunteer the information during the course of the interview.

Now, what that seems to mean is that a loquacious person is more likely to be included as unemployed than a reticent person, though both of them may be in exactly the same situation. This is rather an unsatisfactory way to collect statistics.

However, I don't want to make a large issue of this. It seems to me, my only reason for pointing it out is that if we were to go any further along this line, it might have the undesirable result of including all sorts of persons as unemployed who are not realistically in the labor market at all.

Senator PROXMIRE. At any rate, from what you say, I would gather that the present setup would tend to understate unemployment inasmuch as only the loquacious person is properly tabulated as unemployed.

Mr. HAGEDORN. No, sir.

Senator PROXMIRE. The person who is reticent and fails to say that he was seeking work—

Mr. HAGEDORN. No, sir.

Senator PROXMIRE. Is that right?

Mr. HAGEDORN. I didn't mean to say that at all.

Senator PROXMIRE. Not been tabulated.

Mr. HAGEDORN. You might think from the way I posed this problem that the solution would be to ask the question specifically.

Senator PROXMIRE. No. I know you don't want the question asked specifically. I am just saying what is the impact of the present system. I am inclined to agree with you it is awfully hard to change it without getting into deeper and deeper water and getting distorted statistics because, as you put it so well, you tend to lead the witness and you get the kind of an answer which you can't predict on this basis.

What I am saying, so we can evaluate it properly, from what the present statistics tell us, a person who has been looking for work but is too reticent to say so—

Mr. HAGEDORN. No, sir. He is asked specifically whether he has been looking for work. The question here is whether he would have been looking for work except that he thought that no work in his community and in his line was available during the current week. He is asked specifically during the course of the interview whether he has been looking for work. And everyone who says yes is included as unemployed.

Senator PROXMIRE. So that if he had been looking for work but had not volunteered further the answer, that is, if he had not been loquacious but reticent, how would he be listed? What is the effect of this, in other words, on the statistics?

Mr. HAGEDORN. I would suspect that the effect of this is to include among the unemployed certain people who are not realistically in the labor market at all.

For example, some retired person: if you got him talking, he might say, sure, if work along my line turned up in this community, I would take a job. And then I suppose that is true of practically everybody who is outside the labor force. If a job good enough turns up, they would be willing to take it. But it is rather unrealistic to count them as among the unemployed for any such reason as that.

A second specific point on which I want to talk a little is the question of whether those who work less than full time, whereas they would have wished to work full time, should be counted as partially unemployed. This suggestion has been made a number of times. Generally the idea is that if a person wants to work full time but is working only half time, he should be counted as half of an unemployed person and

you should add these fractions into the existing figure on the unemployed.

Now, certainly people who are working less than full time and want to work full time have a problem and that problem is related to the problem of unemployment in the country. However, on the whole, I would oppose the suggestion that they be added in fractionally to the unemployment figure as it is now published each month.

Here again if you start doing that, you open up a whole Pandora's box of new problems. If you do that, for example, perhaps you should offset this fractional unemployment by persons who are working more than full time; say that a person who is working 50 hours a week, for example, is working 125 percent of full time. He is 25 percent employed. Therefore, his 25 percent should be deducted. This would be one-quarter of a person deducted from the halves that are added on behalf of someone else.

I think you would get into a morass of problems in taking this sort of a step.

Also it seems to me that if we are trying to appraise the unemployment problem in the country, we certainly should have figures on people who are employed less than full time when they want to work full time. We should know about that problem but it should be kept separate from the figures on those who are completely unemployed.

As I have already said, I would like to see more emphasis on the detail of the figures on the unemployed. It is not generally realized how much detail we already have available published by the Government each month on the characteristics of the unemployed. We have a breakdown of the unemployment total by age, sex, marital status, duration of unemployment, the industry of last employment, and many other categories, as you know.

Incidentally, we have all this detail and anyone who would prefer certain other concepts as the measurements of unemployment then can use this detail to either take out certain things that are in the total of unemployment or add certain other things that he thinks ought to be in there. People ought to have that privilege. They ought to have the right to compile their own figure on unemployment if they don't like the one published by the Bureau of Labor Statistics. If, for example, you don't want students in it or don't want people below the age of 20, that can be subtracted out by using this detail. So I think that it is highly valuable to have these breakdowns.

It is also valuable in understanding the nature of our unemployment problem in the country. And incidentally it helps a great deal to show that this is not a measurement of hardship in the country. It is not a measurement of the number of breadwinners or families who are without any source of income.

This is shown by the number of women, the number of people below the age of 20, and the number of unmarried males who are in that total.

There are areas in which we might explore the possibility of getting greater detail. I have some suggestions along that line, Senator, which I will read to you.

First, I would like to see a breakdown of the unemployment total as among those who are the sole support of their families; those who are the main support of families in which there are other workers; those who furnish supplementary income in families which depend

on others for their main support; and those who are not attached to any family groups.

## COST OF ASKING MORE QUESTIONS

Senator PROXMIRE. Now, Dr. Hagedorn, how would you estimate the cost of or the practicality of asking these additional questions?

Mr. HAGEDORN. Senator, you will notice the language I used in the prepared statement. I would like to see the question explored, or the possibility of compiling these statistics. I realize, of course—

Senator PROXMIRE. I know that. I am just wondering if you have had a chance to consider the practicalities.

Mr. HAGEDORN. I certainly believe that should be considered but I am not expert in that field and I am unable to give you any help along those lines.

I realize full well that it is easier to make these suggestions than to carry them out. There are many practical problems, not only the practical problem of cost, but many others.

Senator PROXMIRE. I get the very interesting—

Mr. HAGEDORN. I am making suggestions as to directions in which exploration should take place.

Senator PROXMIRE. Do you have any reason to suspect if we derive this that there would be much of a difference in the percentage of unemployment in these categories? In other words, you properly point out in your presentation here that less than half of the people out of work, substantially less than half, were married males. Now, at the same time I suppose less than half of the working force are married males.

Mr. HAGEDORN. Yes.

Senator PROXMIRE. Therefore, if we get the 6 or 7 percent unemployed statistics, isn't this what most people would carry in their minds anyway as most appropriate in comparing it with the past and making an analysis that would be useful and one which you might base policy rather than requiring that you have a breakdown unless there is reason to suspect there might be a smaller proportion of the head of the household, married male, who is out of work or a greater proportion?

Mr. HAGEDORN. Well, I don't know. It is hard to—

Senator PROXMIRE. Maybe we could run this as a sample a few times and get some—

Mr. HAGEDORN. Yes. I think that might be desirable. I am not suggesting that this should be done every month necessarily, Senator. I think an occasional exploratory study along these lines might be very enlightening. It is hard to interpret just what is in the public mind when they read the unemployment figures. I suspect a lot of people pay a great deal of attention simply to the crude number of unemployed. If they read there are 4 million people unemployed in the country, they translate this rather quickly into 4 million heads of families without a job.

And I think this sort of data would be helpful in correcting that misunderstanding.

Incidentally, I believe that the Bureau of Labor Statistics is exploring the possibility of doing this sort of thing.

A second area in which I would like to see further exploration of the possibility of getting more detail is on the geographical breakdown of unemployment. Our figures on that subject are generally rather unsatisfactory and I would like to see them, if possible, and if the cost is reasonable, further improved.

Third, I would like to see more information on the degree of effort the unemployed have made to obtain work, including the specific steps they have taken, the number of job applications they have made, measures they have taken to learn new skills, and so forth.

Fourth, more information on the mobility of the unemployed.

Fifth, the level of education and skill of the unemployed.

Senator PROXMIRE. Now, if I could interrupt there, I think all these categories are very useful and I think these are good suggestions. I might go back to the first one, however, and say that in our recent report, which is just out, late last month, we do have a table on page 88 of the report which shows—

Mr. HAGEDORN. Which report is that, Senator? Excuse me.

Senator PROXMIRE. That is a report, "Unemployment: Terminology, Measurement, and Analysis," a group of study papers prepared for the subcommittee by the Bureau of Labor Statistics.

Mr. HAGEDORN. Yes.

Senator PROXMIRE. It is a report of November 29; I think that is the date.

Mr. HAGEDORN. Yes.

Senator PROXMIRE. Page 88. You will notice we list so-called fringe workers, teenagers, married women, and persons 65 and over, and then we have "All others."

Now, when we exclude these, and I think that would accomplish at least part of your proposal, we find that the difference is not great, although there is a difference. In the total figures, for example, we have the latest figure in 1961 which was a total unemployment rate of 7.7; with the fringe workers out it was reduced to 7.2. In 1960 it was 6.1 and 5.6. So the fringe workers excluded seem to have the effect of somewhat reducing the unemployment rate but the difference was, oh, in the order of perhaps 8 percent or so.

It wasn't a very great difference.

Mr. HAGEDORN. Well, in making this suggestion, I wasn't thinking so much of its effect on the unemployment rates, the monthly seasonally corrected percentage, as I was thinking about the breakdown of the total.

Senator PROXMIRE. Yes. Well, now, we have that. You can see it is, 1961, 5,495,000. Including total number of unemployed. All others, 3,558,000.

Mr. HAGEDORN. Yes.

Senator PROXMIRE. Without the—I mean, taking the nonfringe.

Mr. HAGEDORN. I think that is quite helpful.

Senator PROXMIRE. Even though you would agree that the so-called fringe workers should be included, you feel there should be a breakdown, too.

Mr. HAGEDORN. Oh, yes, I wouldn't want to make any recommendation that the fringe workers, as you define them here, should be excluded.

Senator PROXMIRE. I have just been informed by the staff of something I didn't realize and that is that this table 22 is published every



month by the Department of Labor, the Bureau of Labor Statistics, the breakdown by these categories.

Now, I think this, incidentally, emphasizes and underlines the very excellent statement you have made that there ought to be much greater publicity for this kind of thing and it ought to become known among people around the country more than it is.

Mr. HAGEDORN. I think this table is very helpful, Senator. I would point out that some objections can be raised to it. For example, married women are included among the fringe workers. Now, there may be a certain number of cases among them where the married woman is the main support of the family rather than a fringe worker.

Senator PROXMIRE. Well, you see, when you get into that category, it seems to me you do get into trouble. Married women is an easy category to establish. When you go into this and say, are you the main support of the family, you can imagine some married women will say, sure, and the husband might deny it, and then you get into an argument of who made the most money last year or who keeps the money or whether the wife keeps the money to buy clothes for herself or to take a trip or whether she puts it in the family. This married women category, while there may be some disadvantages, in general it is a simple, more clear statistical category than if you try to go into main support.

Mr. HAGEDORN. I am sure it would require a great deal of careful consideration of how the question should be asked to explore this matter, and it would require quite considerable training and tact on the part of the interviewers. But it should be explored.

There might be cases, for example, where the husband was an invalid and the married woman was the main support of the family. Now, she would be excluded from this definition of fringe workers.

There may be other cases, for example, where all others—which is evidently the category you mean to include as nonfringe workers—might include some people who in a realistic sense should be included in this category of fringe workers. The sort of exploration I am suggesting would help to make the division a little bit sharper than it is. That is all I mean to say, Senator.

While I am still on the subject of the statistics, there is one other aspect of the question that I want to raise and I do so a little bit reluctantly. That is the question of the honesty and competence of the Government bureaus that compile these figures on employment and unemployment.

At this point I should tell you, Senator, that I am Chairman of the Business Research Advisory Council to the Bureau of Labor Statistics, though let me hasten to add I am not here as a representative of that council. This council is an advisory group of people drawn from the business world that works closely with the Commissioner of Labor Statistics, to consult with him and advise him on problems that he faces. This group has worked with the Bureau of Labor Statistics for many years. We have acquired a considerable knowledge of the personnel and of the methods that are used in collecting these data. We would not ordinarily have felt called on to publish any resolution to the effect that we had faith in the competence, and honesty of the Bureau, but as you well know,

there have been certain published articles during the past year which alleged or implied that the unemployment figures of the country had been engineered for political purposes.

In response to that, the Business Research Advisory Council passed a resolution which, with your permission, I would like to read into the record, Senator.

Senator PROXMIRE. I think I read part of that in the record this morning when I referred to that Daniel article, but you are mighty welcome to put it in right now. That is fine.

Mr. HAGEDORN. This is a resolution passed by the Business Research Advisory Council on October 11, 1961. I quote:

The Business Research Advisory Council, organized 14 years ago and in continuous contact with the work of the Bureau of Labor Statistics since then, consists of members drawn from the business community, selected from personnel nominated by the National Association of Manufacturers and the Chamber of Commerce of the United States.

The council concedes that there is room for honest differences of opinion in regard to the methods and concepts used by the Government in collecting statistics on employment and unemployment. On the whole, however, the council believes that the methods used by the Bureau of Labor Statistics provide a reasonable and useful procedure for presenting information on the levels of employment and unemployment.

The council has complete confidence in the honesty, objectivity and competence of the Bureau of Labor Statistics and its leadership. It regards public allegations that the Bureau has manipulated its methods and its results with an eye to their political impact as unjustified and unfortunate.

Senator PROXMIRE. I think that was a very statesmanlike resolution and I think it is most appropriate, and we certainly welcome the alacrity with which the National Association of Manufacturers stepped into the situation and cleared the record and made it clear that they had confidence in the integrity of the Bureau people involved. This is a very important issue because this was published in the most widely read magazine in America. It was a very fine action on the part of the National Association of Manufacturers.

Mr. HAGEDORN. Yes, sir. Thank you.

Well, so much for the statistics. I want to get now into the substantive questions of unemployment in the country.

Senator PROXMIRE. Go ahead.

Mr. HAGEDORN. All of us have been encouraged by the decline in unemployment to 6.1 percent in November after it had been close to 7 percent for the preceding 11 months. However, we have to remember, as you pointed out in your statement calling these hearings, Senator, that for 4 years now, the unemployment level in the country has remained at or above 5 percent. Whether or not we are about to break out of that pattern, I think we should explore the question of why that situation has existed. We should try to understand its economic background and what implications for national policy it may have.

Now, many explanations have been advanced for the situation which has existed since 1957. The two chief explanations seem to center around, first, the concept of structural unemployment and second, the concept of insufficiency-of-demand unemployment.

I should say that the prepared statement which I have submitted for the record was written before I had seen the very excellent report that your staff got out as background materials for these hearings on "Higher Unemployment Rates, 1957 to 1969, Structural Transforma-

tion or Inadequate Demand." I read what had been prepared after writing my statement and I decided that it wasn't necessary to change anything essential in my statement. I think my terminology might have been improved. The pamphlet that your staff has gotten out straightens out some misuses of terminology that I might have followed in my own statement. But I don't think anything of substance needs to be changed in my statement.

Senator PROXMIRE. In general would you say that that staff study is a fair and sound job? Would you agree with its conclusions?

Mr. HAGEDORN. In general, I do.

Senator PROXMIRE. Structural unemployment rather than the structural factors is not the cause of our present—

Mr. HAGEDORN. Yes. I agree with that conclusion. I am not sure whether I can say that I take issue with anything in the report. I would like to carry the line of thought in this report a little bit further. Will you let me explain what I have in mind, Senator, a little bit more in detail?

Senator PROXMIRE. By all means.

Mr. HAGEDORN. I don't know whether it is necessary to repeat the arguments that have been laid out in my prepared statement on why I don't think that structural unemployment is a realistic or reasonable explanation of the unemployment rates we have had since 1957. Your own staff report goes into it much more scientifically than I was able to do, but it doesn't sound convincing just on general principles. Technological change and structural changes resulting from technological innovations and changes in consumer demands, and so forth, are nothing new in the country. It didn't start happening suddenly in 1957. You can see it just broadly in the figures on the shift of employment from the goods-producing industries to the service-producing industries. This is something that has been going on just about as far back as we have any statistics, and there is no evidence that it is going any faster in recent years than it did in the earlier years.

And as your report points out, productivity is increasing, of course, and it is increasing rather rapidly now, but again it is within the historical pattern of what happened within other periods.

Also, another angle of this situation is the fact that in many European countries where productivity has been growing so rapidly that it has caused concern to us in regard to our ability to compete with those countries, they are not worried about unemployment. In fact, they are searching about to find all the people they can to use in their industries. This is true, for example, in Western Germany.

Now, on the other side of the fence, we have the inadequate-demand explanation for the unemployment situation which has existed since 1957. In a sense it is undeniable that we have had inadequate demand in the labor market. To say that we have unemployment, once you have ruled out the structural-unemployment angle, is simply to say that the supply of labor has exceeded the demand for labor.

Senator PROXMIRE. Let me just interrupt at this point because I think this is very interesting to have you take this position. As you know, Chairman Martin of the Federal Reserve Board has taken somewhat a contrary position. He has argued that our problem is not deficiency of demand as much as it is certain structural factors and, of course, this buttresses his position in opposing proposals that

have been made by some Members of the Senate and elsewhere to reduce interest rates, make money more plentiful to stimulate demand.

Now, it is, therefore, interesting to have someone representing the National Association of Manufacturers take issue with the position of the Chairman of the Federal Reserve Board and to take the position that, as far as we are concerned, the structural unemployment is not the problem. I know you also ruled out demand for various reasons. But let me just say this: In your statement you say—

to find a satisfactory explanation of unemployment we need to know why the aggregate of available jobs does not match, in number and in character, the aggregate of persons who seek work.

Now, the argument that has been made by you is that the unskilled worker, the person with obsolete skills, whether for example he is a former farmer, a former miner—these people may have been skilled but now they are moving into a new labor market at an age when they are in their late thirties, or forties, or order in many cases, and it is awfully hard for these people to find work, and I would say in this sense that there may be an element of at least structural unemployment.

Mr. HAGEDORN. Yes, Senator. I don't mean to brush this type of problem aside entirely. You notice in my prepared statement that I say that there may be a modicum of truth in the structural unemployment explanation when it is applied to certain limited groups of workers who may be immobile and untrainable. As a general explanation of what has happened since 1957, it does not have much value.

Senator PROXMIRE. In other words, this may account for several hundred thousand but you would say not much more than that.

Mr. HAGEDORN. I wouldn't be able to estimate a figure but I see so much more convincing explanations of why we have unemployment that I don't see any need to turn to this as the main explanation.

Senator PROXMIRE. The President of the United States, in a speech on which he had probably worked with economic experts, stressed structural unemployment—the speech he made in Miami just the other day—and he used the analogy of the situation up in Massachusetts where, he said, we have people who worked in textiles all their lives and now they are surrounded with electronics plants that need personnel, that are hiring people, but they need retraining. They need some kind of opportunity to learn the new skills that are demanded. So I think there is a very large body of able responsible people who seem to feel, put more stress than perhaps you or I would put on structural unemployment.

Mr. HAGEDORN. Yes, and I don't mean to say that they are entirely wrong. I don't find the main cause of the unemployment we have had in that theory. I suppose that there are always people in that category and that we should always be concerned about problems of that type. I don't mean to brush this under the rug. This is a problem that we should consider at all times, but I don't see the main cause of the type of unemployment situation we have had since 1957 in that kind of a situation. This is something—

Senator PROXMIRE. You are saying that this is something that we have had at least for the last 10 or 15 years in perhaps pretty much the same kind of form, and this is no adequate explanation for the

higher level of unemployment we have now as compared with the situation 12 or 13 years ago when we also had structural problems.

Mr. HAGEDORN. Thank you, Senator. Yes. You have said it the way I didn't find the words to say it.

As I was saying, in a sense it is undeniable that the current type of unemployment reflects an insufficiency of demand. What we have is a larger supply of labor offered in the labor market than we have demand. But this again is more or less a truism.

Now, I am not sure in your staff report, Senator, whether you meant any more than simply to assert this truism. I don't find anything there that would indicate that you did. And if that is all that your report means by coming to this conclusion, ruling out the structural transformation hypothesis and coming to the inadequate demand hypothesis, then I agree with your report, generally speaking, all the way through.

The inadequate demand hypothesis, then, is only the beginning of an explanation. It is not the explanation in itself. We need to explore what conditions have existed in the economy that have prevented us from achieving a satisfactory balance between supply and demand in the labor market. And that is the subject upon which I would like to talk during the rest of my time.

First of all, in approaching this subject, I think it is instructive to look at some broad facts which describe what has happened since 1957. I will read you the percentage change that occurred between 1957 and the first half of 1961 in certain published dollar aggregates. These are all Government figures.

Between those two periods gross national product increased by 15 percent. Total compensation of employees increased by 16 percent. Government expenditures for goods and services increased by 23 percent. Total net corporate profits decreased by 4 percent. Total business capital expenditures for plant and equipment decreased by 9 percent.

Now, this simple collection of facts, I think, is highly informative and gives us a start in searching for the explanation of the unemployment conditions which have existed since 1957.

Senator PROXMIRE. What are the dates again? 1957 and when?

Mr. HAGEDORN. 1957 to the first half of 1961. The only reason for choosing the first half of 1961 is that all the data I would need for this type of comparison have not yet been published for the third quarter.

Senator PROXMIRE. That makes a very convenient time for purposes of comparison to illustrate your point. What I would like to suggest here is that you consider not simply the net profit, but the tangible rewards of capital. In other words, dividends and interest.

I find that during the period 1957 to 1960, and it was even higher in 1961, dividends increased 13 percent. Between 1957 and 1960, interest—this is from the economic indicators, sources of personal income—interest increased 30 percent. Of course, interest has been by far the most rapidly increasing elements of income. So I think that we should put this in the total context of what capital has been receiving as well as in this net profit category which gives us only part of the answer.

Mr. HAGEDORN. Well, Senator, in the first place interest is a cost, of course, that companies have to meet. It is not part of their profit.

If they are deciding on whether they are going to take a certain step, whether they are going to undertake a certain form of economic activity, they are going to decide it on the basis of their net profit, and interest has to be counted as a cost against such profit.

Senator PROXMIRE. Interest is also a reward for capital; isn't it? It is a compensation for capital.

Mr. HAGEDORN. That is right, but it is not a compensation for undertaking an economic venture.

Senator PROXMIRE. Well, it is a compensation for making an investment but not an equity investment.

Mr. HAGEDORN. That is right. If a firm is faced with a decision, shall we undertake this new type of activity or shall we not, now the new type of activity might be an expansion of some sort. That would create new jobs. The basis in this decision will be the profits earned on the new type of activity, and interest would have to be charged. Interest on any funds they borrowed would have to be charged against the cost in their estimates of the profitability of such an undertaking.

Senator PROXMIRE. Mr. Widnall?

Representative WIDNALL. Mr. Hagedorn, when you relate these figures between 1957 and 1961, say, gross national product increased by 15 percent, that figure would probably be greater for the last half of 1961 because, as I understand the figures that have been coming out, it has bloomed.

Mr. HAGEDORN. That is certainly true.

Senator PROXMIRE. May I also say that profits would be quite different, too.

Mr. HAGEDORN. Yes.

Senator PROXMIRE. The main point I wanted to make is that corporate profits have been somewhat more volatile. I think you make an excellent overall point, that over the past 10 years or even longer you have either stationery or in some periods declining profits. But, at the same time, these periods you have selected, from 1957, which was a period of pretty good prosperity to the first half of 1961, which was not recovery, and during this period you would find the cycle in a stage where you could always point out any period in our history that profits had not done well relative to compensation, relative to gross national products, and so forth.

Mr. WIDNALL. Would you yield further?

Senator PROXMIRE. Yes.

Mr. WIDNALL. Have you any figures that you could put into the record as to what the interest rates have been in Japan and Germany and some of the highly volatile areas where the production rate has been increasing rapidly. What have been the interest rates there for capital investment compared to the United States? Aren't they much higher here in the United States?

Mr. HAGEDORN. It is my understanding that they are. I don't have any specific statistics, but it has been my understanding that in recent years interest rates in the other industrial countries of the world have been higher than they have been here.

Representative WIDNALL. So that risk capital actually obtains a far better investment rate in those countries than it does here.

Senator PROXMIRE. Not from interest. Interest isn't a reward for risk.

Representative WIDNALL. Interest on loans.

Senator PROXMIRE. We just went through that.

Representative WIDNALL. Interest on loans.

Senator PROXMIRE. I think we can agree interest is lower here than there. I think this overall analysis that you have in a sense demonstrates the changing nature of our economic society. No. 1, that ours is the most stable. We have not had a war that has devastated our economy. We have greater security and less risk overall in our country than we have in some of the other countries where government and society has been less stable than it is here.

Also I think I will get into it a little later, but we have quite a different position for our people who make our corporate decisions. By and large they aren't the dominant stockholders where they used to be. Stockholders are hundreds of thousands of people in the public. The people who make the decisions are people who get a salary from the corporation and they are included, incidentally, in our compensation figures.

Mr. HAGEDORN. True.

Senator PROXMIRE. Although some of them are stockholders, by and large they aren't very heavy stockholders in proportion to the total holdings. It is quite a difference from the situation years ago.

Representative WIDNALL. Will the Senator yield further?

Senator PROXMIRE. I yield.

Representative WIDNALL. Mr. Hagedorn, the fifth point you made in your statement is that total business capital expenditures for plant and equipment decreased by 9 percent. Now, I haven't seen the rest of the statement up to now, but will you explain why—what was the essential reason for that decrease in capital expenditure? Is it because of lack of need, or is it because of discouragement? Is it because of the inability to acquire capital for that expenditure, or what is the main problem?

Mr. HAGEDORN. I believe that the main problem has been a lack of savings because savings after all is the source of funds for capital formation in our economy. I go into that—

Representative WIDNALL. What has been the discouragement of the savings?

Mr. HAGEDORN. Partly the discouragement of savings through inadequate return, especially the discouragement of savings that are used for venture capital. But even more than that has been the tax system which takes away so large a part of the income that otherwise would have been available for saving and for capital formation.

Representative WIDNALL. So that if you believe that if the tax system was essentially changed, we would have had an increase in capital expenditure, plant and equipment, and it would have provided further opportunity for employment here in this country?

Mr. HAGEDORN. I believe it would have, Mr. Congressman.

Representative WIDNALL. All right.

Mr. HAGEDORN. Senator, I am fully aware that this comparison of five different economic aggregates given in my prepared statement is a summary of a complex issue and you can always find fault with the particular statistics that are involved. I chose 1957 as the base year because in calling these hearings you focused interest on what has happened since 1957. I chose the first half of 1961 because the statistics on profits, for example, are not available yet for the third

quarter. Some of the others are available but since I wanted to put all five things on the same basis, I chose the first half.

Now, as I say, the beginning points and the end points of that comparison are entirely different phases of a cycle. So I don't want to ride this comparison too hard. I think it is suggestive as a starting point for an analysis of what has happened since 1957.

The poor performance of profits in this comparison is especially cause for concern because profits are the driving force in our economy.

Senator PROXMIRE. This is a truism. They are a driving force but can we say they are the driving force?

Mr. HAGEDORN. In a sense—

Senator PROXMIRE. They are one of the driving forces. In other words, a person who is deciding whether or not he is going to expand his plant or even go into business, it is true, looks at the profit picture, but the profits are made up also of the demand, whether or not he can sell his product, and this is an essential element of whether or not he will go into it. It is also made up of the stability factors involved, whether or not he can count on a stable labor situation, source of materials, all this kind of thing.

So to say that the profits are the factor it seems to me overlooks other very, very important factors and somewhat distorts the total picture.

Mr. HAGEDORN. Yes. In a sense this is another truism. What I would like to emphasize, though, in analyzing the impact of all the other things that happened, the relationship between the demand for the product, the price of the product, the costs of producing the product, the businessman interprets all these in terms of prospective profit. In other words, all these other factors have their influence through their impact on profit expectations.

That is the only way they can have their impact. Let us be blunt about it. In the private sector of our economy people are employed because their employers expect to earn a profit out of the activity which involves their employment, and no matter what complicated factors of demand and markets and costs, and so forth, may enter into the owner's calculations, it all is summarized in his estimate of the profit he may make.

Senator PROXMIRE. Yes, but it is also based on something else and that is the availability of capital. Now, if capital is fairly abundant—and the record here shows personal savings increasing, we have an abundance of capital in this country that exceeds that in other countries—if capital is abundant, like anything else in the law of supply and demand, you get an abundance of supply, the reward for that supply, what it takes to put that supply into work, is bound to drop off and diminish. It seems to me that this is a fact in this country and this more than anything else explains the fact that the corporate profits have not increased as some of these other things have.

You can still get people to invest, invest heavily. Now, you look at the stock market today and you relate price to earnings and you will find that for various reasons, including the discounting of inflation, people have gone very heavily into stocks. It is possible for corporations to raise capital, equity capital, now, at very low rates.

In fact, some of these firms are selling their stock on the big board at 50 and 60 times earnings, which means less than 2 percent earnings return.



Well, this is just the way with the abundance of capital we have and the feeling people have about the future of American business' long-term growth. This is the kind of a situation with which we confront ourselves.

Now, to say therefore that we have to change our labor picture or our tax picture to increase profits to get more capital, it seems to me may not necessarily follow as a way to get jobs.

Mr. HAGEDORN. What we have to do is increase profit opportunities, profit opportunities that involve the employment of people for specific jobs.

This is always a very complicated situation and almost anything that can be said on it is to some degree an over simplification. But let me give you here one oversimplification that I think nevertheless is somewhat enlightening as a way of analyzing this question.

There are always many alternative uses to which capital can be put in a country. These are carefully analyzed by the people who have capital at their disposal and they make their decision as to whether they are going to use capital, and how they are going to use capital, on the basis of getting the most improvement in their profit position from it.

Now, that improvement in their profit position can come through either an expansion of their plant, which will probably involve more jobs, or sometimes in certain types of situations the best use they can make of their capital is to invest it in a form which does away with the need for certain particular kinds of labor. When you have introduced distortions in the cost of different categories of labor, for example, you may have been giving a special incentive for doing without those kinds of labor.

To be more specific, I think in our economy generally we have been making unskilled labor more expensive all the time. That is, more expensive relative to its usefulness in production as compared to the more skilled grade of labor. This has occurred through minimum wage legislation, for example, through Walsh-Healey and Bacon-Davis determinations. It has occurred through union action. But generally speaking the cost of unskilled labor has been raised especially rapidly in this country, which means that business has a special incentive for using whatever capital it has available for finding ways for doing without that unskilled labor.

Senator PROXMIRE. Wouldn't you agree that as this kind of activity, whether it is a fair labor standard act or union activity generally, shoves up wages, provides an incentive for automation, the whole economy of the country is benefited? We increase our productivity. We increase our technological advancement. We increase the production and the real wealth of our Nation. Isn't this good?

Mr. HAGEDORN. No. I don't believe that we do, Senator. We channel capital into certain particular uses and thereby make it unavailable for other uses.

Senator PROXMIRE. At the same time, Mr. Clague this morning said in answer to a question I asked him that he found a fairly constant pattern between the organized and unorganized. Between the white-collar workers and the blue-collar workers. He pointed out that, as unions are able to organize and secure higher wages, this tends to be reflected throughout the economy at a more or less rapid rate.

Now, as this happens, it seems to me that the distortions, if I properly reflect what his position was, the distortions are fairly minimal and the higher wages result in a number of things, including an incentive for business to economize on labor by investing in machinery which saves labor, which is one of the things we want in our society.

Mr. HAGEDORN. Senator, to illustrate why I am not satisfied with that approach, take the coal mining industry, for example. Now, of course, that is complicated by the fact that an alternate product, petroleum, has taken away much of the market for coal. But even aside from that, the fact that labor costs in that industry were pushed up so especially rapidly, I think, is to a large degree an explanation for the unemployment in that industry.

Senator PROXMIRE. Well, I would agree that you can go too far, of course, and maybe they did it in coal. But nevertheless, in coal, I think it is a good thing that they have got the oil. This is a miserable thing to have to do, to spend your life down in the dark scratching the coal out of the earth if you can get, if you can have, machines do it instead. That is a great improvement in mankind's welfare; and, if we can do it more economically and efficiently, it is a great thing for the country. The effect of it, it would seem to me, is generally beneficial.

Mr. HAGEDORN. Well, I don't want to disagree with you on that point, Senator. But nevertheless the fact remains that many people in the coal mining areas wish they would have work in the—

Senator PROXMIRE. That is true. It means we have to find work for them.

Mr. HAGEDORN. Another point I want to make in regard to this situation: I can't simply say, Isn't this a wonderful thing that this new investment in machinery was made in the coal mining, that it would raise productivity, and this is of national benefit? We have to ask what other uses would have been made with the available capital if it hadn't been channeled so strongly in the direction of saving costs in the coal industry. The alternative uses might have had just as much beneficial effect on the growth of the country or even more, perhaps.

Senator PROXMIRE. Well, perhaps it would. You have to make a specific case, though, to indicate that there has been the inefficient allocation of capital.

Mr. HAGEDORN. Well, I believe that when capital is allocated to saving labor and in cases where that labor is in large measure going to have nothing else to do, which has been the case in the coal mines, then it is a misallocation of capital. And we would have been better off using the capital more generally.

Senator PROXMIRE. Well, I would answer that by saying the same thing happened to the miners that happened to the farmers. Their children are leaving the farms. The children are leaving the mining areas. It is true that one generation has a terrible period of adjustment, a miserable situation, and this is a heavy cost for them to pay, much too heavy. There are things that we can do and should do and are trying to do to alleviate the situation. But in the meantime, the situation does solve itself fairly rapidly, and I think you will probably find very few children of miners who are hanging around waiting for the mines to open.

Out in my own State of Wisconsin I spoke at a high school recently. There were 83 graduates last year. Only 11 of them are remaining in the community. Some are going to college, but most of the rest are going to work in the cities, move off the farm and work elsewhere and get skills and training to make them more useful to the economy. All in all I think this is a gain for the economy, although it is a painful adjustment period for the people involved.

Mr. HAGEDORN. Yes. I think we are agreed on that.

Representative WIDNALL. Will the Senator yield?

I would like to make an observation on something you said a little while ago in connection with the gain in stock prices and the relationship to profits. I think there is only one thing that accounts for this. The capital gains tax in America. And the freeze on certain people that hold large blocks of stock in holding that stock because of the payment of capital gains tax. I think if you eliminated that tomorrow you would find the stock market would just go like that [indicating] and relate it to earnings rather than to growth expansion far more than today. It is completely unrealistic and I know person after person who holds stocks because they don't want to sell because of the tremendous amount of capital gains. So then labor relates to the profit that stockholders have gained by gains in stock issues which they haven't realized at all—it is all paper profit—and the fact that it is only paying \$2 a share, or \$400 a share, or something like that. It is completely unrealistic.

I think what we need more than anything else to help growth here in America and real production is a change in our tax system and this can provide more employment than anything else that I know of.

Mr. HAGEDORN. I certainly agree with you very strongly, Mr. Congressman.

Senator PROXMIRE. That is a kind of a mystery to me. You might or might not be correct, but how you can provide more jobs by cutting the price of common stock is something that is very difficult to comprehend. You might argue the fact that if these people want to expand their plant they can go out and sell stock at very high prices, and get all kinds of capital. You seem to argue that, if you change the tax laws, the price of the stock would drop. If so, that means the corporation then cannot raise money as easily. They cannot raise as much. Therefore, this would seem to me to be bad public policy.

Furthermore, you can also argue that they pay, after all, on capital gains 25 percent and as a maximum, as you know, and if they are people of affluence and enjoying a substantial income, you can argue that this is a concession rather than a burden, although I recognize that you have an argument that many people support.

Representative WIDNALL. Senator, may I just say this: They are not floating more stocks. It is just a case of a floating stock that has been sold, that is on the stock market and being played with by people, and people hold it as it goes up, as they feel the impact of inflation, the possible inflation, to the point where it gets unrealistic by way of earnings. And I honestly feel that there would be more money available and being actually used in the economy if prices of stock reflected earnings more than they do today. Today they are out of line completely.

Mr. HAGEDORN. If I might talk to this point a little bit, one thing I would not pose as is an expert on the stock market. I wish I were, but I am not.

Senator PROXMIRE. You see why I brought this in. I didn't mean it to be impertinent or to get away from the subject, but I think it is very simple. You are arguing that our difficulties are caused because capital is being inadequately rewarded, because profits have not increased as other elements in the economic picture have increased. You argue that this is one of the reasons why we are finding ourselves with a stubborn unemployment problem at a time when other things look good. I think you can show there is a correlation between the two but I just still cannot see how we can improve the employment picture by modifying profits through Government wage or tax policy.

In view of the fact that we have every inducement in the world now for—I mean, it seems to be working very well for capital to get into enterprises, into business, better than ever before in our history. The price ratios that we have had are as good or better than they were in 1929, I think.

Mr. HAGEDORN. Let me say this on the tax situation, that when a holder of capital assets sells that asset at a profit and uses what he has realized on that sale, less the 25-percent tax, he has to pay to buy a new asset, then the tax that has been paid on the capital gain that he made is a deduction from the capital resources of the country, and this is an undesirable situation. The trading in stocks in the stock market doesn't create new capital for the country.

Senator PROXMIRE. It makes it available.

Mr. HAGEDORN. It is a channel through which capital is made more liquid than it otherwise would be.

Senator PROXMIRE. It is much more than that. If corporation A is interested in expanding, they have to determine—after all the decisions are not made, as I said, by stockholders. They are made by corporate executives who have a reason for empire building, and so forth. But if they find it is attractive for them to move ahead, they do, as you say, on the basis of profits. But that profit can be relatively very low if they find they can raise more capital by selling stock at an extremely high price.

If the public is generally willing to accept a price earnings ratio of, say, 25 to 1 or 30 to 1, if it is that kind of a situation, if capital is that abundant, if it is that willing and anxious to come into business, then I think it is very, very hard to argue that the essence of our problem is that capital is not getting its just reward. It is just as if you had a situation of very heavy unemployment of people who are knocking down the wall to get jobs and saying our difficulty is that we are not paying labor enough. There may be many difficulties but one of them would not be that wages aren't high enough to attract people into work. The same thing it seems to me is true now with regard to capital in view of the alacrity with which capital is willing to move into any kind of investment opportunity.

Mr. HAGEDORN. Well, Senator, the issue of new stock in either a new corporation or an old corporation does not in itself create new capital in the economy. Somewhere along the line there have to be savings on the part of somebody, or else an inflationary expansion of money and credit to provide the ultimate source of capital for this new stock issue. The new stock issue might in the first instance be pur-

chased by somebody who had disposed of an old seasoned issue in order to get the funds to buy the new issue. But then somebody had to buy that old seasoned issue.

This is something that you probably find in practice impossible to trace in an actual case, but somewhere along the line to make possible the new issue of stock, new funds had to be provided by new savings, and if the tax system prevents the accumulation of new savings at one end and if in the transfers it takes some part of the capital already invested, then it is placing a double burden on the capital formation process in the country.

Senator PROXMIRE. But, you see, you have rejected the structural unemployment situation and you are saying something that is new. At least I haven't heard it before argued by anyone, argued very widely here on the Hill. You are saying that the reason we don't have people at work is because we have not given an adequate reward to capital in terms of profits. Our profits have not increased as other things have increased, and therefore there is not the incentive for people to step in and invest their money and provide jobs.

But the statistics that we just cannot deny are that people are anxious to invest their money in the undeniably high prices that common stocks have reached on the market. People are just clamoring to have their money invested in capital. Capital is available. What is needed are markets so that it is possible for a manufacturer to sell what he produces.

Now, I can see that there are cost factors that may interfere with this, but there is also the basic fundamental demand situation. The fact is that we can produce more now than we can sell if you use labor that is available to the extent that we should provide anything like full employment.

I can't see that a greater reward for profits would solve that problem. You might argue very well, and I think you do very beautifully—I think you have several tables in here that are very convincing from the standpoint of equity and justice—that capital ought to get a reward like everybody else. But it is awfully hard to argue that this is going to solve the unemployment problem.

Mr. HAGEDORN. No, Senator.

Senator PROXMIRE. And I don't follow how this will help put people to work. Can you tell me how corporation A, or a specific industry, steel or automobiles, any other industry, is going to put people to work if we provide an opportunity for higher profits as divorced from a demand for the product they are selling?

Mr. HAGEDORN. Well, of course, demand enters into this. There is always—

Senator PROXMIRE. Isn't that it? Isn't that it? Isn't that the decisive factor? It is not just entering into it. Isn't the demand all you really need? There is plenty of capital available, anxious to go to work provided there is any opportunity at all to sell almost anything you can name. Isn't that right?

Mr. HAGEDORN. To sell it at a profit, Senator.

Senator PROXMIRE. Well, sure.

Mr. HAGEDORN. And that is the whole nub of the question. There is always enough demand to sell 10 times as much as you can produce if you could profitably price it at a level that would get it out into

the market. If we could sell Cadillacs for \$50 apiece, there would be enough demand to sell them all over the world and stack them 10 deep all over the whole surface of the country. So in that sense there is always enough demand provided the cost level of your product is such that you can sell it in the market at a price that will create that demand.

Let me, if I may, explore that.

Senator PROXMIRE. I completely disagree with what you just said, but go ahead.

Mr. HAGEDORN. Pardon?

Senator PROXMIRE. I completely disagree with what you just said, that there is always enough demand and it is just a matter—

Mr. HAGEDORN. If you can price your products low enough, it seems to me—

Senator PROXMIRE. We have seen in food, people don't eat any more. You could put the price of food down to the bottom and you wouldn't get the people to eat much more. They eat the same now as they did 40 years ago and the real price of food, not in terms of inflation or prices going up, but the real price of food, if you equate it with the hours it takes people to earn enough to buy the food, is less than half what it was. Food price has gone down very sharply. But people are eating the same amount of food now that they were then.

Mr. HAGEDORN. There are differences in the degree of elasticity of demand among different products. I suppose the usual example that is given in the textbooks is salt. Nobody looks at the price of salt and decides how much he will use. He uses as much as he wants, though I guess in some chemical processes there certainly would be a variation. There would be an elasticity in the demand for salt. But in almost every product you can think of, if you price it lower, more people will be brought into the market to buy it. This again is—

Senator PROXMIRE. Oh, yes.

Mr. HAGEDORN. This is a truism, Senator.

Well, let me explore this whole question a little deeper. I think we haven't quite gotten to the nub of the situation.

Senator PROXMIRE. Good.

Mr. HAGEDORN. If we see unemployment in the country, it is an evidence that somehow you haven't been able to bring your price down to a level that would create enough demand to give full employment in the country. And you have not been able to do that because of the imbalance between the costs of producing the product and the selling price of the product.

Now, if that imbalance exists, there are always two handles with which to grasp it.

Senator PROXMIRE. Let me just say—all right. Go ahead.

Mr. HAGEDORN. There are two handles with which to grasp it. We can somehow seek to control the costs and prevent their creating the squeeze from the bottom, or we can somehow attempt to increase demand, and the way of doing that, the classical way of doing that is by increasing the liquidity in your economy, creating new money in your economy.

Now, there are some periods when I would say that the right way of seeking a solution to the unemployment problem would be through the demand side. That is, increase the liquidity of the economy, create

more money, make credit easier so that demand will rise. Take the squeeze off profits from the top side, so to speak.

That might be the right way of doing it at some period. At other periods, the right way of doing it is by controlling costs, seeking to encourage new investment, because new investment is a way of improving efficiency so that you can cut costs.

At present I think that the second handle is the only practical one for us to grab this unemployment problem by—the control of costs and the encouragement of improvement and efficiency which would cut costs by increasing investment. The reason we can't take the other handle of expanding liquidity and creating new money is because of our balance of payments problem chiefly. It would be very dangerous for us to take that course of expanding demand through making money easier in the country and allowing prices to go up, thus taking the pressure off profits. That I think we could all agree would be a very dangerous road to pursue at the present time.

So, at present the sound way of seeking a solution to the unemployment problem is taking the pressure off from the bottom on the cost level by restraining further increases in costs, keeping further increases in wages at least within the limits of productivity gains, and seeking to encourage new capital investments that would improve efficiency and thereby to some degree counteract the effects of high costs.

Senator PROXMIRE. Now, what you are asking for is more automation, new capital investment that would encourage efficiency in automation. Isn't that right? In other words, you want to economize on your costs, on your labor costs by introducing labor-saving machinery. This is at least the simple and direct and usual method.

Mr. HAGEDORN. That is one method, yes.

Senator PROXMIRE. And you feel that this would provide more jobs?

Mr. HAGEDORN. Yes, by opening up profit margins it would expand business activity in the country and that would involve more jobs. Where these new jobs would be I don't know. There certainly would be structural changes. They have been going on all the time, and the more automation you have, the more structural changes you are likely to have. The new jobs might not all be in the same old industries. They may be in new industries. This past trend of growth of the service-producing industries at the expense of the goods-producing industries is one that I think will continue in the future.

Senator PROXMIRE. In terms in Government policy, what are you arguing for? I think cutting costs is something all of us approve of and we certainly would like every industrial manager to do all he can to do an efficient job.

Do you feel that Government should do all it can to restrain labor and business, labor from increasing wages above productivity and business from increasing prices, although you are not arguing for prices to be maintained because you say you need the higher profit margin. I presume what you are arguing for is that labor restrain its demands for higher wages, let prices rise a little bit or stay where they are, even though productivity may increase the business so that costs diminish, so you can get a sufficient profit margin to provide incentive for new business, is that it?

Mr. HAGEDORN. I certainly believe restraint on further increases in labor costs is a very necessary step in this country, Senator, and the time is—

Senator PROXMIRE. You talk about profit opportunities. What are they going to produce? What are they going to do with the additional profit? Who are they going to sell it to? Who is going to buy it if you don't increase credit so that people can borrow more and if you don't increase wages?

Mr. HAGEDORN. I think—

Senator PROXMIRE. World markets?

Mr. HAGEDORN. I think with some control of costs and some reduction of costs through improvement of efficiencies, we will gradually open up new markets at the margin for these products.

Senator PROXMIRE. Where?

Mr. HAGEDORN. It will—even without any price increases, it will become—

Senator PROXMIRE. Where will your markets open up? Who is going to buy it?

Mr. HAGEDORN. The people who are newly employed through this process. This is a process that occurs organically.

Senator PROXMIRE. This sounds like bootstrap hoisting. I can't understand how you are going to provide jobs for people because of what the people who are hired are going to buy. Where do you start?

Mr. HAGEDORN. Well, let me say, of course, as the economy grows, our money supply, and so forth, has to grow along with it. If we are regulating our money and credit policy with the objective of achieving economic growth within a stable price level, that, of course, would call for a gradual increase in our money supply over the future depending on the rate of growth that we could anticipate. And this would not lead to any inflation, any rise of prices. Nor would it tend to price us out of international markets. This would be just the growth and liquidity in the economy that is needed to provide for general economic growth.

Senator PROXMIRE. I take it from the negative standpoint you would oppose Government spending, I mean Government spending in excess of revenues?

Mr. HAGEDORN. Yes.

Senator PROXMIRE. You would oppose, or at least you would not feel that a manpower training act in which there is a very substantial Government program of training people for new jobs, that goes to the heart of the problem, you would not feel that that is the answer?

Mr. HAGEDORN. That is right.

Senator PROXMIRE. However, you would favor policies that would restrain costs, including wages and taxes, as much as possible. And on this basis you feel that gradually profit margins would widen enough so that people would start new ventures and as they started the new ventures, people would be hired and they would represent a market, is that right?

Mr. HAGEDORN. Yes, Senator. That is a summary of about what I would want to say.

I would add this, that it is not so much a question of widening profit margins on things that are being done now. Those things are being done and apparently a profit margin is sufficient to persuade various business organizations to do them. But there is always marginal activity which under one set of costs, business just decides not to do it because the prospective profit is not there.



But under another set of cost conditions they would decide to do those things and would create a demand for labor in doing them.

Senator PROXMIRE. You have a most interesting table on profit record in your statement which you haven't discussed but which I think is really fascinating. You point out that since 1947 profits have remained about the same—the gross national product has more than doubled, and the result is that net corporate profit as a percentage of gross national product is a little better than half of what it was before.

This is interesting, and I wonder if you have any statistics for earlier periods. Is the 8 percent for GNP fairly typical? I know earlier figures are never as satisfactory.

Mr. HAGEDORN. I am not sure. The trouble is you go back beyond 1947 and first you have the war years which don't give you a very good basis for comparison.

Senator PROXMIRE. How about the 1920's?

Mr. HAGEDORN. No. These are the Department of Commerce GNP figures.

Senator PROXMIRE. How about other countries?

Mr. HAGEDORN. Oh, that I think would be almost hopeless to get comparable figures on. Mr. Knowles could probably tell you more about that than I can. We always have that problem in making statistical comparisons.

Senator PROXMIRE. How about the changes in the tax law in 1954 which made it easier to amortize and more generous in depreciation allowances? Wouldn't that have the result of making these figures more comparable than they might otherwise be?

Mr. HAGEDORN. That might have some effect, yes. I think that is worth analyzing, but I point out in the table, you don't see any abrupt change in the situation I am describing, the generally level trend of profit as compared with a rising trend in everything else, in the gross national product. That situation remains true in the period since 1954 as well as before that.

In other words, if I had given you the table for the period since 1954, my point would still have been there in the figures.

Representative WIDNALL. Mr. Hagedorn, Senator Proxmire spoke about bootstrap hoisting awhile ago. Isn't the finest example of that an operation called Operation Bootstrap down in Puerto Rico where certain tax advantages were given to businessmen, where business came in and where they have now created a middle class which they didn't have in Puerto Rico and provided far more employment than they ever had before because of the tax advantages?

Mr. HAGEDORN. I think that is quite an impressive record in Puerto Rico.

Representative WIDNALL. Part of the United States, segregated from the United States, to provide a showplace of what can happen when tax advantages are given to business to provide employment and bring up the standard of living.

Senator PROXMIRE. Could I suggest as far as Puerto Rico is concerned there are many other factors involved, of course, as there always are in all these cases, No. 1; and No. 2, I think obviously if you provided the same tax advantages for the whole country, there wouldn't be any differential, which is, I suppose, one that certainly

everybody would have to admit was a primary reason for business investing in Puerto Rico. They would have advantages over investment here. It might be something to advocate for a Governor of a State, but for Congress to pursue this policy, you would lose completely all the differential aspects at least within our own economy.

Representative WIDNALL. Senator, I understand that. But I also want to make the point, though, that when tax advantages are given which are conducive to investment, to the accumulation of capital for reinvestment, it does build employment and it does build a better and more healthy economy.

I think one of the things that is rather confusing as far as the country is concerned is savings. Now, maybe I don't understand it yet, but I am trying to understand it.

Savings come in many categories and included in the amount of savings is the amount you pay off on a mortgage. Now, this is a savings. But this can only be channeled in certain directions. If it is going to a savings and loan, they can only invest in specific directions, and some of these savings are not—they don't have the ability to spread out through the economy that other savings could have that come by way of tax change. Isn't that true?

Mr. HAGEDORN. Yes. I think a distinction can be made between venture savings and nonventure savings. I don't know whether for statistical purposes you could ever define these precisely enough to segregate them out in the statistics, but certainly we know that some forms of savings are concentrated in the rather riskless forms. They are not available for taking the new ventures out on the frontiers of our economy, so to speak. Whereas other forms of savings are available for that purpose.

Representative WIDNALL. Isn't it true that a large proportion of our savings is in the riskless forms rather than the risk forms?

Mr. HAGEDORN. That is right, and I think especially—

Representative WIDNALL. And this is not differentiated normally when they are talking about the accumulation of savings. It is always there and can't be channeled out overnight by pushing the button. It requires changes in the investment opportunities of business, commercial banks, savings and loans, to get these channeled out so they can be used for other purposes.

Senator PROXMIRE. It is very interesting to generalize but don't you think it is also true that the expansion of jobs depends on greater investment in research and education? Most of increased investments in these fields are not being made by private industry but by government. This is especially true, of course, for education.

Mr. HAGEDORN. Industry doesn't have the funds.

Senator PROXMIRE. Private industry does in research, certainly, and they have done well.

Mr. HAGEDORN. Certainly investment in research and education is of advantage to the country, but in reaping the advantages that result from that, you also have to have new investment in the old-fashioned sense of the word, in plant and equipment and other assets that business needs to work with. They all have to go together for us to realize our potentialities for economic growth.

I think that in this colloquy we have probably covered many of the points I intended to make in this colloquy, Congressman.

(The prepared testimony of Mr. Hagedorn follows:)

UNEMPLOYMENT: THE STATISTICS AND THE ECONOMICS OF THE PROBLEM—STATEMENT OF GEORGE G. HAGEDORN, DIRECTOR OF RESEARCH, NATIONAL ASSOCIATION OF MANUFACTURERS

My name is George G. Hagedorn and I am director of research of the National Association of Manufacturers. I am here to speak in that capacity in your hearings on employment and unemployment. It is our hope that we may in some degree be helpful to you in your study of this sometimes confusing, but always important, subject.

In calling these hearings your chairman posed three questions to which you would be seeking answers. Summarized briefly these related to the adequacy of our statistics on employment and unemployment, the economic causes of the present unemployment situation, and the policies appropriate for dealing with it. The comments to be presented in this statement will be organized in accordance with this framework. Since each of the three questions opens very complex issues, my presentation will necessarily deal with them in very broad terms.

ADEQUACY OF THE STATISTICS

Each month the Government statistics on employment and unemployment receive widespread publicity and occasion great interest and comment throughout the country. The figures which receive the most attention are the number of persons unemployed and, more recently, the monthly seasonally adjusted rate of unemployment.

It is wholly desirable that the public should be furnished information on these subjects and that they should be concerned with their implications. However, many of us believe that the figures are too often interpreted in a way that gives a false picture of the state of the American economy. They are also sometimes used as the basis for policy recommendations that would be destructive rather than constructive in their effects on the economy.

You will see in what follows that I do not intend these complaints as a criticism of the statistics or of their compilers. I have no radical alterations to propose in the methods or concepts used in this field. The remedy lies rather in three directions which are partly, but not wholly, in the province of government:

- (1) Better public understanding of what it is that the "unemployment" total is intended to measure, and how the measurement is done.
- (2) Less emphasis on the overall figure of unemployment, more emphasis on a detailed breakdown showing the "who-where-why-etc." of unemployment.
- (3) Better basic understanding of how a free-market private-enterprise economy works and the forces which determine what happens within such an economy.

*Not a measure of hardship*

A frequent source of misunderstanding in relation to the unemployment statistics is the assumption that they are intended as a measurement of hardship. It is then assumed that the criterion for including a person among the unemployed is whether he is suffering some personal hardship as a result of being without a job. Persons who start from this premise are surprised, and sometimes indignant, when they learn for example that a housewife who merely wants occasional employment for supplementary income can be included among the unemployed.

Hardship is of course not the criterion used by the Government in measuring unemployment. What the unemployment figure attempts to measure is the number of people who are available for productive use, but who are nevertheless not so used. The goods and services these people might have produced are a real loss to the economy, regardless of whether or not any personal hardship is involved.

In thus accepting the statistical approach currently used I do not mean to imply that misunderstanding of the data does not create a real problem. The man in the street, who usually thinks of unemployment in terms of personal hardship, tends to jump to the conclusion that the total unemployment figure he reads in the newspaper is a count of hardship cases. This could be remedied by educating the public, rather than by revising our statistics to conform to popular misconceptions.

A serious aspect of this problem is the misuse of our unemployment statistics by unfriendly critics abroad. If our data show 5 million persons unemployed, this is represented as meaning that 5 million American families are living in destitution. Not being an expert in counterpropaganda I will not offer concrete suggestions for correcting this misrepresentation, but I do not suggest that we should meet the problem by altering or concealing our own statistics.

We are also at a disadvantage when our unemployment figures are compared with those of western European nations. Many of these nations base their unemployment data on the number of persons registered in the government employment agencies as seeking jobs. Thus they miss many groups who would be counted as unemployed in a survey of households such as is used here. The lower levels of unemployment reported in these countries than in the United States is in part a reflection of the different technique of compilation. In this case too it seems to me that the remedy lies in better understanding of the data, rather than in an alteration of our methods and definitions to conform with those used in Europe.

#### *The definition of unemployment*

The central issue in regard to our unemployment statistics is whether the currently used definition is satisfactory. Should there be an extension of the definition to include certain groups not presently counted as unemployed? Or should certain classes of persons now included be deleted?

Bluntly stated, my recommendation is that the definition of unemployment be left as it is. A major overhaul of the basic concepts is neither necessary nor desirable. A process of periodic tinkering with the definition, which such a step would encourage, would be disastrous. What we need is more detail on the unemployed, and a better understanding of the data rather than a brand new method of compiling the total.

Please understand that this recommendation is not meant to indicate a feeling of complete satisfaction with the present concept of who should be counted as unemployed. In many respects the present definition of unemployment is arbitrary. There is plenty of room for honest differences of opinion as to whether certain elements ought or ought not to be included. If we were setting out from scratch to consider how unemployment ought to be measured, reasonable men might arrive at a set of definitions very different from those currently used. But, when all is said and done, any alternative definition of unemployment would be just as arbitrary. This being so, we are better off sticking with what we have, understanding its limitations, promoting better public appreciation of its meaning, and supplementing it with relevant additional information.

The chief reason for this generally conservative approach is the fact that, as already explained, the public has some widespread misconceptions of the meaning of the data. We will never promote better public understanding of the meaning of the concepts used in measuring unemployment, if we continually change those concepts.

Two specific items bearing on the definition of unemployment are worth some further discussion: first, the inclusion as unemployed of persons who are not looking for work but would have been except for their belief that no work is available in their respective occupations or communities; and second, the suggestion that the unemployment total ought to include, on a fractional basis, persons who are working part time but would prefer to work full time.

There is an anomaly in including persons who would have been looking for work except that they believe no work is available in their line or in their community. The anomaly results from the fact that no one is specifically asked, in the household survey, whether this is his situation. Persons are included in this category only if they volunteer the information during the course of the interview. This is rather an unsatisfactory basis for compiling statistics since a loquacious person would be included whereas a reticent person in exactly the same circumstances would be excluded.

It might seem that the remedy would lie in asking a question specifically designed to get this information. But this would be even worse since such a question would in effect be "leading the witness." Almost everybody now outside the labor force could be coaxed to take a job if a sufficiently attractive offer were made to him.

It does seem questionable whether any persons in this category should be included among the unemployed. However, I do not mean to make a large issue of this matter. My purpose in calling it to your attention is to stress how undesirable it would be to go any further in this direction. It could lead to the inclusion as unemployed of persons who realistically have no intention

of seeking employment, on the ground that, if their "dream job" suddenly opened up, they would take it.

The proposal that persons who involuntarily work less than full time be included, on a pro rata basis, in the count of unemployed is one that I would oppose. Certainly such persons have a problem and certainly it is a problem related to that of unemployment. Certainly their part-time work represents a loss of productive potential to the economy. We should (as we do) have regular statistical information on the extent of this problem.

But this does not add up to a case for the inclusion of such part-time workers in the figure on total unemployment. They have jobs and their situation has not yet become desperate enough for them to sever their connection with their employers and seek work elsewhere. Public policies which would relieve their situation are not necessarily identical with policies which would relieve unemployment in the usual sense.

Inclusion of part-time workers as fractional unemployed persons would, logically, open up a whole series of additional proposals for altering the statistics. Perhaps they should be offset by those who put in overtime work. On the other hand, there are undoubtedly many people who would welcome overtime work but do not get it. Should these also be included as partially unemployed, on the ground that they do not have all the work time that they would wish? You would be opening a Pandora's box by changing the established definition of unemployment in the way that this proposal would contemplate.

Finally, such a change in the concept of unemployment would further complicate the problem of promoting understanding of the figure. A total which was a mixture of whole persons and fractional persons would not be easy to grasp. The problem of involuntary part-time work is one to which we should give consideration and on which we should have information. We should not however consolidate data in this field with a count of those wholly unemployed.

#### *Characteristics of the unemployed*

As already stated, the detailed information on the "who-where-why-etc." of unemployment is more useful in establishing an understanding of the problem than the overall total. I would like to see more emphasis on these detailed data, but I realize that it is not in the power of any of us to tell the newspapers what to emphasize or the public what to read.

It is not sufficiently appreciated what a wealth of information of this type is already available. We have a breakdown of the unemployment total by age, sex, marital status, duration of unemployment, industry of last employment, etc. Those who object to the current definition of unemployment are thus given an opportunity to reclassify the data according to their own preferences, which certainly should be their privilege.

Incidentally, the published detailed breakdown is helpful in showing how far the unemployment total is from a measurement of persons suffering from severe hardship. Perhaps some people are misled into believing that the unemployment total published each month consists almost entirely of heads of families who have been out of work for extended periods. Actually this is very far from the case. For example, of the 3.9 million people reported as unemployed in October 1961 only about one-third were married males. Long-term unemployment—the number of persons out of work for 15 weeks or more—amounted to only 1.2 million persons in total and apparently less than half of these were heads of families.

In addition to the detailed data presently available on the characteristics of the unemployed, there are many other items which would be useful in appraising the nature and magnitude of the problem. Methods should be explored for collecting information on the following aspects of unemployment, listed here in the approximate order of what I would consider their importance:

- (1) A breakdown of the unemployment total as among: those who are the sole support of their families; those who are the main support of families in which there are other workers; those who furnish supplementary income in families which depend on others for their main support; and those who are not attached to family groups.

- (2) A better geographical breakdown of unemployment. The figures on this aspect of the problem are limited and generally unsatisfactory.

- (3) More information on the degree of effort the unemployed have made to obtain work, including the specific steps they have taken, the number of job applications they have made, measures they have taken to learn new skills, etc.

- (4) The mobility of the unemployed.
- (5) The level of education and skill of the unemployed.

This is a large order and it would be easy to add other items of desirable information. If it should not be practical to collect such data every month, an occasional survey might be sufficient to establish the broad outlines of the situation.

*Reliability of the unemployment figures*

There is one other aspect of the unemployment statistics which I mention only with reluctance; that is, the question of the competence, honesty, and freedom from political bias of the Government agencies which collect and publish the figures. Ordinarily I would not consider it necessary to mention the question, but stories have appeared in public print to the effect that the unemployment data have been "engineered" by the Bureau of Labor Statistics to serve political purposes.

An appraisal of the honesty and competence of the Bureau of Labor Statistics can best be made by those most familiar with the Bureau's work and personnel. In this connection it is significant that the Business Research Advisory Council, a body of persons drawn from the business world to advise the Bureau of Labor Statistics, recently gave that Bureau a clean bill of health. The council's official statement, dated October 11, 1961, is as follows:

"The Business Research Advisory Council, organized 14 years ago and in continuous contact with the work of the Bureau of Labor Statistics since then, consists of members drawn from the business community, selected from personnel nominated by the National Association of Manufacturers and the Chamber of Commerce of the United States.

"The council concedes that there is room for honest differences of opinion in regard to the methods and concepts used by the Government in collecting statistics on employment and unemployment. On the whole, however, the council believes that the methods used by the Bureau of Labor Statistics provide a reasonable and useful procedure for presenting information on the levels of employment and unemployment.

"The council has complete confidence in the honesty, objectivity, and competence of the Bureau of Labor Statistics and its leadership. It regards public allegations that the Bureau has manipulated its methods and its results with an eye to their political impact as unjustified and unfortunate."

THE CAUSES OF UNEMPLOYMENT

I turn now from the statistical problems to the substantive problems of unemployment. All of us were encouraged by the recent announcement that the seasonally adjusted unemployment rate fell to 6.1 percent in November, after having remained close to 7 percent during the preceding 11 months. We can be hopeful that further improvement will take place but we should not forget that, as your chairman pointed out in calling these hearings, unemployment has remained at or above 5 percent since late 1957. Whether or not we are about to break out of this pattern, we should certainly strive to understand the economic background of the persistent high employment rate of the past 4 years.

Short-term fluctuations in business and in employment can often be explained in terms of strikes, inventory variations, weather conditions, and similar non-recurring factors. These of course have been at work during the period since 1957. They will not be dealt with here, since it is clear that something more basic and more persistent must have been acting to create the continuing high rate of employment.

Many explanations have been advanced for the unemployment situation of recent years. Two rival theories have emerged, around which most of the current controversy centers: The structural-unemployment theory and the insufficiency-of-demand theory.

Both these theories seem to me to be unsatisfactory as economic explanations, and misleading as policy guides. I would like to take some time to explain briefly the reason for this conclusion.

*"Structural" unemployment*

The term "structural unemployment" has been widely used in recent years, although it has not always been defined clearly or used consistently. It seems to refer to unemployment which is in some sense "due to" the impact of long-run irreversible and progressive changes in our economy: changes in technology, the emergence of new products which replace old ones, changes in consumer tastes, etc.

It would be foolish to deny that such developments have an impact on our labor force and on the opportunities open to people for making a living. Such trends as the growth in employment in service-producing industries at the expense of goods-producing industries, the shift from blue-collar to white-collar employment, etc., are to be explained largely in these terms. I do not believe, however, that "structural unemployment" provides a very useful explanation of the general situation which has prevailed in recent years.

When we have explained why a particular individual was severed from his last job we have only a partial explanation of why he is unemployed. To complete the story we need to know why he has not found another one. Labor turnover is a normal thing in a dynamic economy. The real point is that people who leave particular jobs, whether voluntarily or involuntarily, can readily find new jobs in some periods whereas in other periods they cannot. To find a satisfactory explanation of unemployment we need to know why the aggregate of available jobs does not match, in number and in character, the aggregate of persons who seek work.

In the light of our own past history, the structural-unemployment approach does not offer a very convincing explanation of the current situation. Structural economic change is not something that began to happen to us only recently. This could be illustrated in many ways, but the following table may help to show the structural changes of the past 40 years in broad outline:

*Percentage breakdown of the employed labor force<sup>1</sup>*

Year	Goods-producing industries	Service-producing industries
1920.....	61.8	38.2
1930.....	56.1	43.9
1940.....	54.1	45.9
1950.....	49.2	50.8
1960.....	43.5	56.5

<sup>1</sup> Excludes domestic workers and proprietors except in agriculture.

Source: U.S. Department of Labor.

Since 1920 we have seen a radical shift from employment in goods-producing industries to employment in service-producing industries. The shift occurred gradually over the four decades, rather than abruptly in the period since 1957. The 40-year interval contained some periods of very low unemployment and some of very high unemployment. Structural change seems to be consistent with either condition. The table above suggests that in the 1930's, when unemployment was higher than either before or since, structural change was less rapid than in other decades.

Another observation which casts doubt on the structural-unemployment explanation of what has happened here since 1957 is the high rate of technological growth coupled with very low levels of unemployment in certain foreign countries—notably Western Germany. We have been concerned here with the rapid improvement in productivity in Western Germany, and what it does to our competitive position. They however have not been concerned over any unemployment resulting from the gains in productivity, but over their inability to find all the workers they could use.

A central fallacy which pervades the thinking surrounding the structural-unemployment theory, is the belief that technological change occurs on its own momentum and is unrelated to economic conditions. But technological changes occur because the companies which adopt them have certain definite motives in mind. They are guided by market conditions, cost conditions, and many other factors. The pattern which technological change will take in the future is not foreordained but will depend on economic conditions. As a specific example, I believe it is clear that unskilled labor has been made artificially expensive in recent years—through minimum wage laws and through union action. As a result producers have been given a special incentive to adopt forms of technological change which reduce the need for such unskilled labor. When unemployment among the unskilled results from this chain of causes it is not very helpful to label it "structural" or "technological" unemployment.

There may be a modicum of truth in the structural unemployment explanation when it is applied to certain limited groups of workers who may be immobile and untrainable. As a general explanation of what has happened since 1957 it does not have much value.

#### *The insufficiency-of-demand theory*

In a sense it is undeniable that unemployment is an evidence of an insufficiency of demand. The demand for the services of labor at a given wage rate is derived from the demand for goods and services at prices which will permit that wage rate to be paid. To say that unemployment exists is to say that the demand for labor falls short of the supply of labor. But this is a mere truism rather than an explanation. What we need to know is what factors in the market (or rather markets) for labor have prevented supply and demand from reaching a reasonable balance.

Of course, when the statement is made that unemployment results from the inadequacy of demand more is intended than the mere truism described above. The implication is that we should seek the remedy in an expansion of demand, perhaps through Government spending or through making money and credit easier. If we are reluctant to take these steps because of fear of inflation or concern over our international balance of payments, a feeling of frustration results. But if we recognize the insufficiency-of-demand theory as a truism, it is clear that other remedies are available which do not pose the same danger of inflation or destruction of the international position of the dollar.

#### *Some facts*

In seeking clues to a realistic explanation of the unemployment situation since 1957, we may turn first to some broad-gage facts as to what has happened since that year. The facts listed below may be derived from official Government data, published in the form of dollar aggregates. Between 1957 and the first half of 1961—

- (1) Gross national produce increased by 15 percent.
- (2) Total compensation of employees increased by 16 percent.
- (3) Government expenditures (Federal, State, and local) for goods and services increased by 23 percent.
- (4) Total net corporate profits decreased by 4 percent.
- (5) Total business capital expenditures for plant and equipment decreased by 9 percent.

This simple collection of facts is highly revealing. In view of the substantial increases in compensation of employees and in Government expenditures, it seems unrealistic to ascribe unemployment to an insufficiency of final demand. On the other hand, the lagging performance of profits and of business capital expenditures suggests that our general economic sluggishness since 1957 may be explainable in these terms. Such an avenue of explanation seems especially promising in view of the fact that profits are a chief motivating force for economic activity, and capital investment is one of the necessary conditions for economic growth.

#### *The critical role of profits*

Every employment opportunity in the private sector of the economy is in the first instance a profit opportunity. People are hired because someone in business sees a prospect of earning a profit in activities which require their services. An expansion of profit opportunities means more jobs. Restrictions on profit opportunities are very likely to mean unemployment.



In the light of these obvious facts it is disturbing to see that profits have persistently declined, relative to other economic magnitudes, during the post World War II period. This is shown in the following table:

*Profit record*

[Billions of dollars]

Year	Gross national product	Net corporate profits	Net corporate profits as percent of GNP	Year	Gross national product	Net corporate profits	Net corporate profits as percent of GNP
1947.....	\$234.3	\$18.2	7.8	1955.....	\$397.5	23.0	5.8
1948.....	259.4	20.5	7.9	1956.....	419.2	23.5	5.6
1949.....	258.1	16.0	6.2	1957.....	442.8	22.3	5.0
1950.....	284.6	22.8	8.0	1958.....	444.5	18.8	4.2
1951.....	329.0	19.7	6.0	1959.....	482.8	23.7	4.9
1952.....	347.0	17.2	5.0	1960.....	504.4	22.7	4.5
1953.....	365.4	18.1	5.0	1961 (1st half)	508.4	21.4	4.2
1954.....	363.1	16.8	4.6				

Source: U.S. Department of Commerce.

The gross national product has increased steadily, with only minor temporary interruptions over the whole period. Net corporate profits have fluctuated upward and downward, but, essentially have gotten nowhere during this period,<sup>o</sup> moving upward and downward around a base of approximately \$20 billion. When profits are expressed as a percentage of gross national product there has been a persistent decline from a high of 8 percent in 1950 to 4.2 percent in 1961.

*The cost squeeze*

The squeeze on profits indicated by the figures just given is evidence that costs have become too high in relation to the prevailing price level. Since payments for labor are the most important element of costs, it will be worthwhile to see what has happened to labor costs. The following table presents calculations of unit labor costs for the private economy, based on U.S. Department of Commerce data:

*Increase in labor cost per unit of output*

[1947=100]

Year:	Labor cost per unit of output <sup>1</sup>	Year—Continued	Labor cost per unit of output <sup>1</sup>
1947.....	100.0	1954.....	123.3
1948.....	107.0	1955.....	120.9
1949.....	104.6	1956.....	130.2
1950.....	107.0	1957.....	134.9
1951.....	113.9	1958.....	134.9
1952.....	118.6	1959.....	137.2
1953.....	123.3	1960.....	141.9

<sup>1</sup> Calculated by dividing total compensation of employees in the private sector in current dollars by total output, as indicated by private GNP in constant 1954 dollars.

Source: U.S. Department of Commerce and U.S. Department of Labor data.

The persistent increase in labor costs is, of course, the result of increases in wages and fringe benefits more rapid than could be absorbed by productivity gains. During the early postwar years these cost increases could be passed on in higher prices and hence did not exert a depressing effect on economic activity. In more recent years it has not been generally possible to recover higher costs in increased prices. The resulting reduction of opportunities for profitable business activities is the main cause of the unemployment since 1957.

We are at present, hopefully, on an upward business trend. One danger is that such a development might give further encouragement to increases in labor costs. If so, the recovery could be cut short and we could lose all the ground we have gained and perhaps even more. This seems to be what happened in 1937 when abrupt cost increases occurred during the recovery from the deep

depression of the early 1930's. Mr. Per Jacobsson, Managing Director of the International Monetary Fund and an economist of worldwide reputation, describes the chain of events as follows:<sup>1</sup>

"\* \* \* when money wage rates in the United States were suddenly pushed up by 15 percent in the boom of 1936-37, costs became too high in relation to the prevailing price level; business activity was reduced and, with the fall in profits, there was little demand for new credit from the business community and little inducement to investment. This is in my opinion the true explanation for the business setback and the heavy unemployment in 1938-39 in this country; I give no credence to any explanation based on a supposed persistent tendency to structural stagnation, with shrinking opportunities for the investment of current savings, or on a conspiracy among businessmen."

#### *Capital formation and employment*

The accumulation of capital is one of the prime requisites for economic growth. The economic history of this country illustrates this perfectly, but if we have forgotten the lesson we should be reminded of it by the present eagerness of underdeveloped nations to attract investment capital.

Can the sluggishness of our economic growth since 1957 be ascribed to an insufficiency of capital accumulation? An answer is provided in a study about to be published by the National Bureau of Economic Research, one of our most respected private research institutions. The National Bureau volume is not yet available to the public, but it has been discussed in an advance story in the New York Times, under the byline of Will Lissner. Mr. Lissner opens his story as follows:<sup>2</sup>

"The U.S. economy has not been achieving its potential, according to Dr. Simon Kuznets, of the National Bureau of Economic Research.

"Data produced by Dr. Kuznets indicate that economic growth in recent years has been checked by the limited availability of savings rather than by any shortage of investment opportunities."

An important clue to the reasons for the shortage of savings is given in a further statement by Mr. Lissner in his summary of Dr. Kuznets' work:

"Individuals and families have saved a roughly constant proportion of income after taxes, but that income has declined relative to national product, because taxes have risen."

Besides its role in supporting economic growth generally, capital formation has a further impact on employment. The more capital is provided, the faster productivity grows. The growth of productivity is an offset to cost increases and thus helps to maintain employment. The relationship between investment and employment is, however, a complex one. If there is a distortion in the relative rates of compensation for the various grades of labor, new investment may be channeled into uses which save the more expensive kind. Thus since unskilled labor is presently more expensive (in relation to its usefulness) than skilled labor, there is a strong incentive for business to use whatever capital is available to reduce its need for unskilled labor. The relatively high cost of unskilled labor is one of the chief reasons for the fact that unemployment is concentrated among the unskilled.

#### POLICIES FOR MEETING THE UNEMPLOYMENT PROBLEM

The preceding discussion has identified two main causes of the unemployment situation which has existed since 1957:

(1) The pushing up of labor costs at a rate which could not be offset by productivity gains and which could not be fully passed on in higher prices. The resulting reduction of profit opportunities means a reduction of employment opportunities.

(2) The impediment to economic growth arising from an insufficiency of savings within our economy. This hinders the accumulation of capital which could provide the basis for faster growth and increased efficiency to offset higher costs.

It is always a temptation to attempt to solve problems of this kind by inflation. It might be argued that if costs are too high in relation to the current price level, the solution is to raise the price level through large-scale monetary expansion. Similarly, it might be contended that if current savings are insufficient to provide

<sup>1</sup> Per Jacobsson, "The Market Economy in the World Today," the American Philosophical Society, Philadelphia, 1961, p. 48.

<sup>2</sup> New York Times, Dec. 8, 1961.

the desired rate of investment they should be supplemented by the creation of new bank credit on a large scale.

To seek the solution along this direction would be to accept inflation as the necessary price for maximum employment. However, this option is not open to us under present circumstances. The disturbing chronic imbalance in our international accounts, the heavy outflows of gold, and the need for preserving the value of the American dollar mean that we must seek every way to restrain cost-price increases rather than to encourage them. The consequences of adopting the "easy" inflationary way out of our difficulties would be disastrous for the United States and for the whole free world.

#### *The cost-push problem*

I am not so unrealistic as to suggest that the solution of the cost-push problem lies in wholesale substantial wage reductions. Fortunately our economic condition has not become so desperate as to require this radical surgery. There is still time to save the day by future restraint in increasing costs rather than by attempting to reverse the mistakes we have made in the past.

It would be desirable to allow costs to fall by keeping the future increase in wage rates somewhat below the rate of productivity increases. At the very minimum we should seek to prevent wage increases from exceeding productivity gains.

The policies, both public and private, which are likely to achieve this result are not easy to specify in detail. In part they are legal but in even larger part they are intangible, involving the attitudes of employers, employees, government officials, and the general public.

Certainly the solution does not lie in a comprehensive system of wage and price controls. This is not the way to correct the effects of our national economic malpractices. This applies also to any system of intervention in which the Government is to impose or even to recommend particular settlements in particular cases.

It is to be expected that there will be differences of opinion between labor and management as to how much of a wage increase is appropriate in a particular case. What is disturbing is the undue preponderance of power which the law gives to the labor unions in the bargaining process. On the surface this seems to give an advantage to the working people of the Nation, but what it actually does is to deprive them of job opportunities by raising costs. I would urge a reexamination of our labor laws from this point of view.

However, the legal question is only part of the story. Collective bargaining often becomes a public issue rather than merely a private matter between the parties. What happens is influenced by the climate of public opinion, which in turn depends on the level of public economic understanding. I would wish it were more generally understood that excessive wage increases are destructive of job opportunities.

If we are to have labor-cost levels which are compatible both with high levels of employment and with reasonably stable prices, wage increases must be kept within the limits of productivity gains for the economy as a whole. This is sometimes misunderstood to mean that each industry can grant wage increases in proportion to the increase of productivity in that industry. Since there is a great variation among industries in the rate of their productivity growth, such a rule would soon create completely irrational interindustry wage differentials. This is not what happens in practice, but the misunderstanding embodied in this approach creates another problem. Industries with exceptionally high rates of productivity increase tend to be subjected to increases in wage and fringe benefit rates, which could be justified only by the productivity gains in those industries. But this pattern spreads to other industries with average or below-average productivity gains. As a result the general level of hourly labor cost rises faster than the general level of productivity.

Another source of misunderstanding is the notion that a restraint on wage increases would amount to a program of national austerity. But working people have nothing to lose from such a program, just as they have nothing to gain from a pattern of wage increases which exceeds the growth in national productivity.

Another misconception is the idea that wage increases will stimulate economic activity through creating greater "purchasing power." This is a hardy perennial among economic fallacies. I will not stop to unwind it here. It should

be clear that we are not going to make business in this country more brisk by raising the cost of production.

In these and other respects all of us have a responsibility for creating a higher degree of public understanding of our economic system and how it works. A prime element in that understanding is the realization that excessively high-cost levels create an impediment to employment.

*The capital insufficiency problem*

On policies for relieving the shortage of savings I am able to be more definite. The solution lies in reforming the current tax rates and tax methods which fall most heavily on the capital forming sectors of our economy. We sorely need to correct these blocks to capital formation and to long-range economic growth:

- (1) Steeply graduated individual tax rates.
- (2) Excessive top rate of corporate tax.
- (3) Unrealistic length of lives and classification of depreciable property.
- (4) Taxing of gains on transfers from one investment to another.
- (5) Destructive rates of estate and gift taxes.

Such reforms would allow individuals and business to save more out of their current income. This increased saving would provide a basis for a noninflationary expansion of investment, thus permitting faster growth and greater efficiency to offset cost increases.

Coinciding with this tax reform program we must have strict control of Government expenditures, since nothing is gained if the Government has to borrow back the additional savings provided by tax reduction in order to finance its deficits.

The NAM rejects such devices as the proposed investment credit, which are intended to reward business for actions which are approved by the Government at the moment. This is an undesirable precedent. What is needed is an increased flow of savings which should be channeled into various uses by market forces.

There is a practical way of achieving the kind of tax reform which is outlined here. It is to allocate, by law and in advance, the increased revenues resulting from economic growth to tax reform rather than to increased spending.

Such a program has been spelled out in detail in H.R. 2030 and H.R. 2031, now before the House Ways and Means Committee and popularly known as the Herlong-Baker bill. I strongly recommend this legislation to your attention.

Mr. HAGEDORN. Senator Proxmire, you and Congressman Widnall have called attention to the table on profits, which I think is very important, showing the growing squeeze on profits. I would call your attention to another table showing the growth in labor cost per unit of output.

Senator PROXMIRE. You call it labor cost. You don't relate this to product in any way.

Mr. HAGEDORN. It says here labor cost per unit of product. It is related to the productivity. It is labor cost per hour divided by productivity. If you had two series, one on labor cost per hour and the other on productivity, and divided one by the other—

Senator PROXMIRE. Once again you see the difficulty on this is that the people who are now making the decisions are not the stockholders, who are amorphous mass who have nothing to say about what is going on except as they put in an appearance at the stockholders' meetings, but they are top executives, boards of directors of the corporation who are themselves compensated, that would increase this labor cost element, so this is a little bit deceptive.

Now, I am not saying your figures would be greatly distorted if you took all that out. But what I am saying is we have to consider that the decisions that are now made in our society by the top corporate people have a built-in bias in favor of increasing compensation as compared with increasing the return to the stockholders; and furthermore, the tangible return to stockholder dividends, as I pointed out, have increased just about as rapidly or a little more rapidly than the compensation of workers or wage earnings.

Mr. HAGEDORN. Let me comment on a couple of things you have said, Senator. Certainly it is true that business hires managers, that stockholders hire managers to run their companies. And certainly I don't doubt at all that those managers are interested in their own compensation. I think it is fair enough for everybody to be concerned about that. I imagine all of us are. We want to be paid for what we do.

But I don't believe that the managers of business by and large brush aside the profit motive. I don't think they could last very long if they did. The profit performance of their companies is the way that they will be rated as managers. Even if they are concerned more about their own careers than with the fortunes of their company, they have to match one against the other. Their own careers depend on how well their company does and that is measured in profit terms.

Senator PROXMIRE. Oh, I would certainly agree that the profit performance is a very important element in a manager's success. But I am just saying there is this other element, too.

Mr. HAGEDORN. One other point that you made is the rising level of dividends. I believe you referred to that—

Senator PROXMIRE. That is correct.

Mr. HAGEDORN. Now, if we have had a rising level of dividends and actually a relatively declining level of profits, what it must mean is that the capital rising from the retained profits, the margin between what is paid in dividends and what is earned in profits, must be declining, so that source of capital must be declining partly through the squeeze on profits, partly through the increase in dividends.

Now, what the motive is for the increase in dividends I don't know except that dividends from most of the postwar period have been a declining ratio of national income.

Senator PROXMIRE. Isn't it true that here is where the argument can be made, the effect of inadequate demand? In other words, instead of paying out more in dividends in proportion to profits, if the market were there and the opportunities were there, business would be inclined to put it into inventory, put it into more production, put it into expansion in plants, provide more jobs. But the market has not been there. The demand has been inadequate and the result is that they are increasing dividend payments even though profits have not seemed to warrant much of an increase, although I must say just one other point—

Mr. HAGEDORN. Let me agree—

Senator PROXMIRE. During the war and immediate postwar period there was quite a bit of investment in plant and a great discrepancy between dividends and profits. Dividends were only about 40 percent of profits. Now they are close to about 60 percent.

Mr. HAGEDORN. Yes, Senator. There are some rather serious distortions in the figures all the way through. I think that part of what we are counting as profit shouldn't be counted as profit at all because the fact that depreciation, for example, is so largely counted on historical cost and isn't a real measurement of the cost involved in capital consumption, and as a result a large part of what appears as net new investment is not genuinely so. It is net in a bookkeeping sense but not a real increase in the assets because you haven't sufficiently accounted for the using up of existing assets.

Senator PROXMIRE. Mr. Knowles has a question, our committee counsel.

Mr. KNOWLES. I admit to being a little puzzled about the argument that has been raised here about this matter of taxes and how various treatments of income for tax purposes affect savings and investment. I have been puzzled about this for a long time because the empirical evidence we have about what has happened is quite puzzling. As an economist I must admit to a considerable doubt about what it means.

For example, the assumption that our treatment of the taxation of corporate income and capital gains, for example, is affecting investment is one I find attractive. I would be inclined, as an economist, to think this was restricting investment. But then I look at figures for a number of countries that we can compare to the United States and for which we have comparative national income data. I look at the relation between their national income or GNP per capita and our national income or product per capita and at the share that goes to investment.

Now, presumably if the better tax treatment was having an effect, these other countries should have a higher ratio of investment. Well, as a matter of fact, for the eight countries where I am reasonably sure the data have been made comparable, the results split just about 50-50 down the middle according to how you do it. One way it is 4 to 3. Another way is 4 to 4. And another way is 5 to 3. So you can take your choice as to whether or not the different tax treatment between Western Europe and the United States has a result.

Some of these countries are the smaller European countries and some the larger. I must confess I visited all these countries and talked to the people in November of 1958. I still admit to being puzzled about what conclusion we can draw, and I really find myself wishing that some of you could come up with a proof as to what the real answer is.

Mr. HAGEDORN. May I ask, Have your studies been published, Mr. Knowles?

Mr. KNOWLES. I am basing this upon a study, this particular one that I can cite as one source of the type of thing, a study of the OEEC, "Comparative National Products, and Price Levels, a Study of Western Europe and the United States." It is a publication of theirs, 7958. The tables are on pages 36 and 37. These are adjusted for differences in price levels. They are valued both at the European countries' price levels and then alternatively at our price levels, and they have a geometric average of the two to see what happens if you try it somewhere between the two.

This is the old price index trouble that gets you in trouble because you have got two different price levels—different price structures, not levels. So you try all three ways to do it and in this case I just cannot find in the figures any clear-cut answer that says it is one way or the other, and I would have expected it to come one way or the other and it didn't.

This committee published a study prepared for them in 1957 called "Productivity, Prices, and Incomes," and in that we tried to trace every possible profit-and-wage-cost figure we could come up with for the economy as a whole, for all manufacturing and for the major food and metalworking industries. We tried using the experimental data we had on adjustment of corporate profits for various kinds of understatements. When we got through we found for periods of comparable

levels of activity when unemployment was about the same, when the rate of use of capacity was about the same, that the rate of return on capital, the rate of return on net worth after taxes was about the same, in the 1920's when the corporate profit tax rate was insignificant, as it was in the 1950's when it was approximately 50 percent, over five to eight times the size.

Now, this leaves me puzzled, unless we make one assumption; namely, if you give the businessman a little bit of time, he is just ingenious enough to adapt himself to almost any kind of rules Congress can write and you can't possibly write a set of rules that he can't make a profit at.

Personally I am inclined to give him the benefit of the doubt and think businessmen are just a pretty smart bunch of guys, and they really do a smart and able job and they do come out with about the same results no matter how you write the rules. Since I am inclined to be generous in my estimate of their abilities, I am inclined to come out with this answer, the only one I can find that fits the facts. If this is true, the interesting conclusion for the committee to consider is that if you reduce tax rates on corporate profits, the major effect would be to reduce the price level. I won't say that this is a necessary result. I am just posing for you the fact that the economists who are going to suggest that this is the answer to the problem have to come up with the conclusion that a falling price level would be advantageous to investment and that is one that I have heard a lot of argument about.

The last person who suggested this received considerable criticism for his ideas. It was the former Chairman of the Council of Economic Advisers, Mr. Nourse.

Senator PROXMIER. The falling price level might do several things. It might conceivably provide a bigger market. It might here in this country certainly improve our position vis-a-vis European competing economies. But we also have to run our country's enormously expensive business, with a plus-\$50 billion defense budget this year, and insistence by the President, which I think is absolutely proper, of balancing the budget. It will be mighty hard.

Mr. KNOWLES. I am just posing this as a proposition, that what puzzles me is simply the proposition that you are going to get out of this by differential tax treatment of the corporation relative to other forms of income streams. This is all this really says. What I have said is only relevant to the issue of taxation of corporate income relative to the taxation of other streams of income. It is not relative to the general proposition; is the level of taxes too high? On this I might have as an individual other views, but it is merely relevant to the strict issue as to whether or not the differential tax treatment of the corporate income relative to the treatment of other streams of income, such as wages and salaries of interest, was causing the investment lag.

I would have expected it to turn out to have some effect and I must confess to a surprise that I didn't find it. All I am saying is that you might have a different answer if you ask what would happen if you lowered the taxes in general, right across the board, or some other form of tax bill. This is another question. Here it is the question of whether or not the tax treatment of corporate income relative to non-corporate income is at the heart of our problem. I expected it to show up. It didn't.

Senator PROXMIRE. Let me just ask, unless you want to interject at that point—

Mr. HAGEDORN. Mr. Knowles has said a number of things, some of which lost me a little bit, Mr. Knowles, some of which I don't think you were quite serious on. I don't think you were serious when you seemed to be drawing the conclusion that businessmen are so ingenious that they find ways around the tax laws and tax regulations and therefore it doesn't really make much difference what kind of tax laws or tax regulations we have. I don't think you really meant that.

As to your proposition that you don't necessarily see that a lowering of the corporate tax rate relative to other forms of taxes, would have a particular effect on investment or on economic activity, let me say that the sort of tax reform that I would advocate would be a very broad one that would include individual rates, corporate rates, corporate treatment of depreciation, the capital gains tax, and other aspects of our tax system—not just a cutting of the corporate tax rate. In considering this whole question of what we can do to improve the employment situation in the country, to improve the rate of economic growth in the country, it seems to me there are two main things to keep in mind.

First, we have to encourage the possibility of good profits in doing new types of things, so that these things will be done.

Second, we have to have a source of new funds for capital, new savings for new capital, that will permit the new investment necessary for national economic growth. So I would bring the discussion back to those two elements, those two elementary points, improvement of the profit situation and improvement of the flow-of-savings situation.

Senator PROXMIRE. Well, let me just say—and this is the last question as far as I am concerned—let me ask a question which looks at it from a different viewpoint, and I hope a more practical viewpoint.

I think everybody would like to have their taxes reduced but I think now of all times we just can't expect it. We are not going to get it. I don't think so, at least. We obviously can't reduce taxes and meet the defense challenge we have and balance the budget at the same time. Maybe we can but it is hard to see it.

Therefore, what I would suggest is another approach. Now, it has been suggested that our wages are too high in relationship to the wages paid in other countries and that our wages—more important than that, our wage cost is too high.

Now, that has been answered, and I think to some extent refuted. It has been argued, for example, that in Venezuela steel workers for U.S. companies there actually enjoy higher total benefits than their American counterparts without even taking account of the lower productivity in that country. The rise in iron and steel imports is ascribed to the following factors. No. 1, subsidized shipping. For instance, U.S. Steel gets a merchant marine subsidy to bring oil from Liberia and Venezuela. No such subsidy is available for oil shipped from Minnesota and other parts of our country. And in the second place, tax privileges which are given to people who manufacture and produce in countries overseas in terms of when they are taxed, and there are other concessions.

Now, it would seem to me that the elimination or reduction of the subsidy, the equalization of the tax, is something we can do in a way that will increase our revenues and reduce our spending, and at the same time give the domestic producer here in this country, who is



providing American jobs, an opportunity to compete more successfully and provide more jobs.

What is the matter with that?

Mr. HAGEDORN. Well, if I may comment on a number of things you have said, Senator. In the first place, in trying to make statistical comparisons between unit costs of production in this country and unit costs of production abroad, I have just about come to the conclusion it is pretty near impossible to make any valid comparison. The Bureau of Labor Statistics is exploring that field and maybe they will eventually get somewhere, but it is very, very complicated because of the different nature of wage costs.

Senator PROXMIRE. The instance I cited—

Mr. HAGEDORN. Wage costs of different countries.

Senator PROXMIRE (continuing). Is the difference in which you have in a very few countries and occupations, oil workers in Venezuela for instance, higher wages, or at least if you include fringe benefits, and demonstrated lower productivity because the people haven't had the time or opportunity to learn the skills.

Mr. HAGEDORN. That is certainly true, Senator, yes. You have an impossible statistical job in making such comparisons, and I think in the economic analysis as contrasted with the statistical analysis, you also run into some severe complexities. Part of our difficulty in competing with some of the other industrial nations of the world arises out of the particular level at which they set their own currencies in the postwar period. Britain and Germany established the level of convertibility of their currency, I believe, 1949 or 1950, somewhere about there. France, more recently. But in each case they had to choose a level at which they wanted to set the pound or the franc or the mark in relation to the dollar. And they chose those levels on the basis of what they anticipated they could achieve in growth and productivity in their countries in the ensuing years.

I think in most of those cases they actually were less optimistic than they might have been. They didn't anticipate the great growth in productivity that they have experienced. Their productivity grew more than they anticipated in setting the relation of their currency to the American dollar. And that higher level of productivity has given them an advantage over us in trade.

However, I would say, whatever the case may be, it still is true that whatever degree of inflation we allow in our own country, weakens us in international trade, whatever the causes may be, whether it is the level at which they set their currency or whether it is the relative degrees of inflation in the various countries.

Senator PROXMIRE. You would agree that we might consider the possibility, at least, of reducing subsidies of various kinds, including tax privileges and shipping subsidies, to those who are in competition with us, even though it might be American industry that is in competition with us.

Mr. HAGEDORN. I should say we certainly should look at all those cases, yes, sir.

Senator PROXMIRE. Any more questions?

Well, I want to thank you, Mr. Hagedorn, very much. I think this was an extremely interesting and, I must say, a very objective—one of the most objective presentations that I have heard. I think

your evaluation of the statistics of the Bureau are most reassuring to us and coming from you as a spokesman for one of the top industrial business organizations in the Nation, it is very good to know that you feel that these statistics are being appropriately and properly handled now and that you have no radical or substantial suggestions for changes in them.

The rest of your analysis, I think, was also very provocative and interesting as I think we indicated by our comments on it.

Thank you very much.

Mr. HAGEDORN. Thank you.

Senator PROXMIRE. The committee will resume hearings tomorrow morning with the appearance of George Meany, president of the American Federation of Labor and Congress of Industrial Organizations, at 10 o'clock in this room.

(Whereupon, at 4:02 p.m. the committee adjourned to reconvene at 10 a.m. on Tuesday, December 19, 1961.)

## EMPLOYMENT AND UNEMPLOYMENT

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TUESDAY, DECEMBER 19, 1961

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMIC STATISTICS  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The Subcommittee on Economic Statistics of the Joint Economic Committee met, pursuant to recess, at 10:05 a.m., in room 4221, New Senate Office Building, Senator William Proxmire (chairman of the subcommittee) presiding.

Present: Senator Proxmire and Representatives Bolling and Widnall.

Also present: Senator Clark of Pennsylvania; Richard J. Barber, clerk; and James W. Knowles, staff economist.

Senator PROXMIRE. The subcommittee will come to order.

Our witness this morning is Mr. George Meany, president of the American Federation of Labor and the Congress of Industrial Organizations.

Mr. Meany, we are very pleased to have you with us. You may proceed as you wish.

### STATEMENT OF GEORGE MEANY, PRESIDENT, AFL-CIO

Mr. MEANY. Thank you, Mr. Chairman.

I appreciate the opportunity of appearing here.

I am sure it is not necessary for me to dwell at any length on our conviction that the problem before you—

Senator PROXMIRE. If I could interrupt for just a minute, Mr. Meany, I wish you would introduce the gentlemen with you at the table for the record.

Mr. MEANY. This is Andrew Biemiller, director of our legislative department; and Mr. Stanley Ruttenberg, director of research for the AFL-CIO.

Senator PROXMIRE. Proceed.

Mr. MEANY. I am sure it is not necessary for me to dwell at any length on our conviction that the problem before you—the problem of employment—is of paramount importance to the well-being and security of the United States and to the future of free government everywhere on earth.

The fact that you are holding these hearings is evidence that you share our conviction. They are also evidence that the Congress, like the AFL-CIO, believes that the Federal Government has an inherent obligation to meet this problem—to see to it that the national economy functions in a way that will bring about the maximum use of our country's human resources. Of course, that means full employment.

We have not been really close to that goal since 1953; even in apparently prosperous times. We dare not delay any longer in resuming our pursuit of it.

My intention today is to describe the job picture as it appears to us in the labor movement, and as it is painted by official Government reports; and then to set forth some of our ideas on the necessary remedies.

But first, let me put on the record the dismay of the AFL-CIO at recent attacks on the Government's own statistical services, which compile the employment and unemployment information each month. Those who attack the integrity of the personnel of these services, which are operated by professionals with no political ties, would have other Americans believe that unemployment is largely imaginary; that it has been created by statistical manipulation and can be wiped out by the same process.

This is nonsense; and every reasonable, informed person knows it. We don't argue that the present figures are infallible, but we do say that they are honestly compiled and reported.

Rather than pursue this side issue any further, I ask permission to enter into the record an article entitled "Better Yardsticks To Count the Unemployment," prepared by the AFL-CIO Department of Research and published last month in our magazine, the American Federationist.

Senator PROXMIRE. Without objection so ordered.  
(The document referred to follows:)

[Economic Trends and Outlook—prepared by Department of Research. Reprinted from November 1961 AFL-CIO American Federationist]

#### BETTER YARDSTICKS TO COUNT THE UNEMPLOYED

The persistent high level of unemployment, despite the pickup of other economic indicators, has resulted in an outbreak of articles and editorials challenging the accuracy of the official unemployment figures published each month by the U.S. Bureau of Labor Statistics.

The complaint, in brief, is that the figures have been high because some people, though unemployed, should not be counted as unemployed. As a practical matter, these critics have chosen to attack the unemployment statistics rather than to attack the unemployment problem. Reduced to its simplest terms, what they advocate is a sleight-of-hand approach which would reduce the unemployment figure—but not the number of people unemployed.

Unfortunately, no amount of statistical manipulation can alter the fact that unemployment is our major economic problem. The month of September found over 4 million people unemployed, even though industrial production was above the pre-recession level and at an all-time peak. It was the 10th consecutive month during which the unemployment rate was near 7 percent of the labor force. And, in addition, there were 2.5 million people who wanted to work full time but who were working only part time in September.

The unemployment problem has been getting progressively worse for the last decade. During the early years of the 1950's, the unemployment rate was down around 3 percent of the labor force. Following recovery from the 1954 recession, it did not go below 4 percent. And since recovery from the recession in 1958, it has remained over 5 percent. With the onset of the recession in 1960, it moved up to near 7 percent, where it has remained now for 10 months.

The period ahead promises only slight improvement in the unemployment picture and perhaps herein lies the reason for what appears to be a concerted

attack on the unemployment figures. Continued high levels of unemployment in the face of mounting economic recovery would indicate the need for governmental economic policies and programs which would stimulate the creation of additional job opportunities. It serves the purposes of opponents of such governmental activity to promote the idea that our unemployment problem isn't bad as it appears.

It comes as no surprise, therefore, to find that two prominent sources of the attack on the unemployment statistics are the Wall Street Journal and the Reader's Digest.

Unlike the editorials in the more sophisticated Wall Street Journal, an article in Reader's Digest in September did not limit its criticism to the statistics. It went much further and accused Government employees of deliberately magnifying the unemployment problem in order to "push Uncle Sam into new Federal spending programs." Like the Wall Street Journal, however, it also in effect advocated that the unemployment problem be met not by creating jobs and putting people to work but by playing a statistical version of the shell game.

#### MONTHLY REPORT ON THE LABOR FORCE

The statistics under attack appear in the Monthly Report on the Labor Force, a publication of the Bureau of Labor Statistics. These particular data, however, are obtained from a household survey conducted each month by the Bureau of the Census. The survey provides the basic information on the labor force—the number of people in the country 14 years of age and over who are employed or unemployed—as well as data on the characteristics of the labor force (age, sex, race, etc.).

To obtain the labor force data, 35,000 households are interviewed in 330 different areas throughout the country. The 35,000 households interviewed are a sample, selected so as to be representative—in family size, race, location, economic status, etc.—of the country as a whole. Then, based on the results obtained from this sample, reliable estimates can be made for the entire population—how many people are in the labor force, how many have jobs and how many do not, plus such data as employment and unemployment by age, race, and sex.

Obviously, definitions are crucial to the final result. For example, if the count of the labor force were to include everyone over 18, the result would be different than that obtained by including everyone over 14. What is to be done with workers on a temporary layoff? Are they employed (they're not at work) or are they unemployed? How about high school and college students who each summer seek temporary employment? All these, plus many other situations, have to be taken into account in determining who is in the labor force, who is to be counted as employed and who is to be counted as unemployed. It cannot be left to the whim of the interviewer—or even the person being interviewed. It must depend upon definitions, uniformly applied.

The civilian labor force is made up of all persons 14 years of age and over who are employed or unemployed and seeking work. Persons who are not employed and are not seeking employment are not in the labor force. Among those excluded from the civilian labor force are (1) persons doing home housework, (2) persons in school, and (3) persons mentally or physically unfit for work. Members of the Armed Forces are also excluded.

The employed include all persons in the civilian labor force who, during the week of the monthly survey, have done any work at all as (1) paid employees; (2) operators of their own business, profession, or farm; or (3) unpaid workers who worked 15 hours or more in a business operated by a member of the family. All persons temporarily absent from jobs because of illness, bad weather, vacation, strike, or lockout, etc., are included among the employed.

The unemployed are all those in the civilian labor force who, during the week of the monthly survey, are without jobs and seeking work. This includes the following groups:

1. Persons waiting to be called back to a job from which they were laid off;
2. Persons waiting to start a new job (and who are not in school at the time of the survey);
3. Persons who are not seeking work because they are temporarily ill;
4. Persons who are not seeking work because (a) they are waiting to hear from a job-seeking effort made within the previous 60 days or (b) they believe no work is available in their line of work in their community. However, the fact that these individuals must volunteer this explanation for not seeking work, without a question being asked by the interviewer, tends to exclude some unemployed workers from the unemployment figures. Without this explanation, voluntarily supplied, these individuals are regarded as not seeking work and therefore "not in the labor force." This shortcoming in the survey method is discussed in more detail below under "Proposed improvements."

TABLE 1.—*Civilian labor force, employment and unemployment, January 1960 to September 1961*

	Civilian labor force	Employed	Unem- ployed	Unemployment rate	
				Unad- justed	Seasonally adjusted
	<i>Millions</i>	<i>Millions</i>	<i>Millions</i>	<i>Percent</i>	<i>Percent</i>
1960—January .....	68.2	64.0	4.1	6.1	5.3
February .....	68.4	64.5	3.9	5.7	4.8
March .....	68.5	64.3	4.2	6.1	5.5
April .....	69.8	66.2	3.7	5.2	5.1
May .....	70.7	67.2	3.5	4.9	5.1
June .....	73.0	68.6	4.4	6.1	5.4
July .....	72.7	68.7	4.0	5.5	5.5
August .....	72.1	68.3	3.8	5.3	5.8
September .....	71.2	67.8	3.4	4.8	5.7
October .....	71.1	67.5	3.6	5.0	6.3
November .....	71.2	67.2	4.0	5.7	6.2
December .....	70.5	66.0	4.5	6.4	6.8
1961—January .....	69.8	64.5	5.4	7.7	6.6
February .....	70.4	64.7	5.7	8.1	6.8
March .....	71.0	65.5	5.5	7.7	6.9
April .....	70.7	65.7	5.0	7.0	6.8
May .....	71.5	66.8	4.8	6.7	6.9
June .....	74.3	68.7	5.6	7.5	6.8
July .....	73.6	68.5	5.1	7.0	6.9
August .....	73.1	68.5	4.5	6.2	6.9
September .....	71.1	67.0	4.1	5.7	6.8

Source: U.S. Bureau of Labor Statistics

## SEASONAL ADJUSTMENTS

Based on these definitions, a count is made each month and figures are obtained on the number of people in the labor force, the number with jobs, and the number without jobs. At this point, the figures provide some insights as to levels of employment and unemployment but, unless adjustments are made to take into account seasonal factors, the figures can be misleading.

For example, each summer when schools empty out, students enter the labor force to seek temporary employment. Furthermore, each year there is a sharp increase in employment in the summer months as these students find work which is strictly summertime employment. As a result, the employment figures for the months of June and July invariably show a sharp increase over the month of May. And so do the figures on unemployment, since not all the students who enter the labor force each summer are able to find jobs.

The increase in unemployment during this period does not necessarily indicate trouble in the economy unless the size of the increase is greater than should have normally occurred when viewed in the light of past seasonal movements. Thus, the actual figures on unemployment may go up while the seasonally adjusted rate of unemployment goes down.

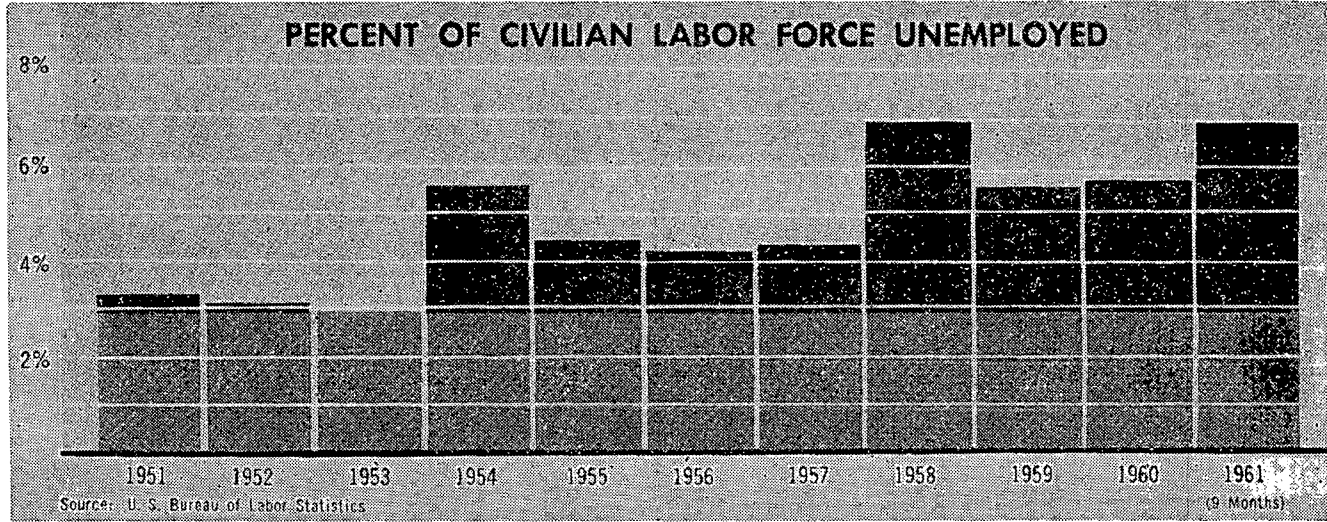
Similarly, we know from past experience that a seasonal shift occurs in the winter months when people usually leave the labor force and when employment declines but unemployment increases. To be meaningful this increase in unemployment must be measured against the change that could normally be expected, for example, between December and January. If the increase in unemployment is more than seasonal, the seasonally adjusted unemployment rate will show an increase in January over December—and it will mean the increased unemployment was due to more than just the usual seasonal factors.

As shown in table 1, the seasonally adjusted unemployment rate since December 1960 has, with the exception of 1 month, remained at 6.8 or 6.9 percent. This demonstrates that the changes that have occurred in the employment and unemployment figures have, for the most part, been only seasonal. To make any real inroads into the present high levels of unemployment we must have improvements that are greater than seasonally expected.

Table 1 also shows the effect of correcting the figures to remove seasonal influences. During the last 10 months the number of persons unemployed has ranged from a low of 4.1 million in September to a high of 5.7 million in February (see col. 3 in table 1). Yet both months, after making seasonal adjustments, had an unemployment rate of 6.8 percent (see last column in table 1). Furthermore, the seasonally adjusted unemployment rate for the months of December, April, and June also show 6.8 percent—despite the fact the number of people unemployed was different during each of these months.

## PURPOSE OF THE FIGURES

The basic purpose of the data on the labor force is to provide information on the impact of general economic conditions on employment and unemployment—to determine how many people have jobs and how many people who want to work are without jobs. This information is essential to the purposes of the Employment Act of 1946, which gives to Government the responsibility for maintaining high levels of employment. Without adequate data on the number of people unable to find employment, there would be no reliable information on which to base policy decisions seeking to implement the Employment Act.





It is perhaps the failure to grasp the basic concept of these data that has led the Wall Street Journal to imply that certain groups should not be counted as unemployed—or counted differently—because they don't need jobs—married women, retired people, students on summer vacation.

There is little logic to this approach. In the first place, who is to say whether or not individuals in these groups need jobs. Furthermore, if individuals in these groups are looking for work and cannot obtain it, are they not unemployed? Do they not represent labor that is idle and willing to work?

On the other side of the coin is the fact that individuals in these groups are counted as employed if they have jobs. To be consistent, they would have to be excluded not only from the figures on unemployment but from those on employment also—in other words, excluded from the labor force. Even if this were done, it would have little effect on the unemployment rate, since the smaller number of people unemployed would have to be measured against the smaller labor force. In all likelihood the unemployment rates would not differ significantly from their present rates.

The AFL-CIO believes individuals in these groups have just as much right to employment opportunities as do any others in the labor force. They should be counted when unemployed as well as when employed. To do otherwise would serve no purpose but to distort the data on the labor force.

Complaints are also heard regarding those who, at the time of the monthly survey, are not working but will be going to work shortly, either returning from a layoff or starting a new job. These individuals, it will be recalled, are treated as unemployed. There is logic to handling such groups in this fashion—(1) they are in fact unemployed at the time of the survey, (2) there is always a possibility the expected job will not materialize, and (3) if it does, they will be picked up as employed in the survey the following month.

#### PROPOSED IMPROVEMENTS

Improvements in the data on employment and unemployment are always to be desired. This objective, however, is defeated by proposals to alter the concepts in order to hide true unemployment. A contrary view to that expressed in the current attacks on the data was expressed in 1959 by the Chairman of the BLS Business Advisory Committee on Manpower and Employment Statistics in addressing a congressional committee. "There are further improvements that can be made," he said, "but what we have are sound figures." At the same time he stated he believed the definitions were good.

The AFL-CIO also believes the present figures are sound. But we also believe improvements can be made to enable the data to provide more information on the degree of employment and unemployment. Proposals have already been advanced by the AFL-CIO to improve the present concepts and to avoid omitting from the count people who are, in fact, unemployed:

(1) Jobless persons who believe no job is available: Under present definitions, a person who did not look for work because he believed no work was available is supposed to be counted as unemployed. However, such a person is counted as "unemployed" only if he volunteers the explanation as to why he was not seeking work. If he does not—and simply states that he was not seeking work—he will be counted as "not in the labor force."

In order to avoid prompting the person being interviewed, the interviewer does not try to obtain information as to why the individual was not seeking work. However, there is no doubt this does result in underestimating the amount of unemployment, especially in depressed areas. In those areas it is likely that a large number of persons have not been actively seeking work in recent years because of their belief that no work is available.

Until a satisfactory method is developed to obtain a more accurate count of such individuals, the unemployment data will understate the unemployment problem.

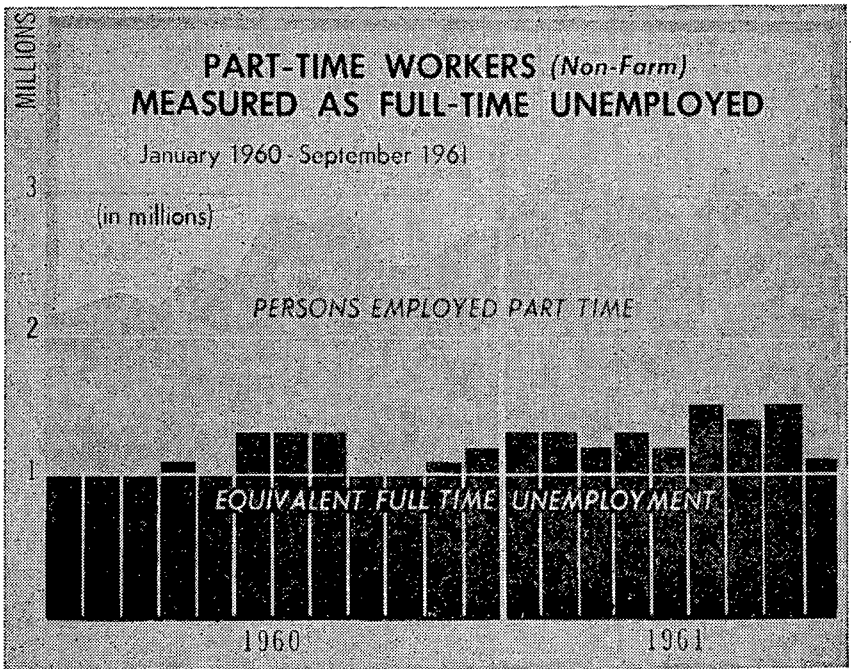
(2) Jobless persons awaiting results of a job inquiry: In a similar vein, an individual not seeking work at the time of the survey is counted as unemployed if he is awaiting the results of a job inquiry made within the last 60 days. Unfortunately, unless he volunteers the information that he is waiting to hear from such an inquiry, he is counted as "not in the labor force." He is counted as unemployed only if he volunteers the information to explain why he did not seek employment during the survey week.

Again, in the absence of a specific question by the interviewer it is likely that unemployment among such individuals is not fully counted.

In addition to these proposals, which deal primarily with the household survey, we believe there is a need for additional data to shed more light and create more understanding among the public as to how well—or how poorly—we are doing in providing jobs for people who are seeking them.

(1) Rate of unemployment among wage and salary workers: The present data on the labor force include approximately 10.5 to 11 million people who are self-employed or employed as unpaid workers in family businesses. Actually such individuals can only rarely be listed as unemployed as they are seldom in the labor market seeking jobs. They already own their own jobs and work at them even when business is poor. For example, of the nearly 7 percent unemployed in September, self-employed and family workers accounted for only 1 percent.

As a practical matter, therefore, the real civilian labor force—people who seek employment for wages or salaries—is not 72 million but rather closer to 60 million and the rate of unemployment among the actual jobseekers measured against this labor force figure is considerably higher than the rates published for the labor force as presently defined.



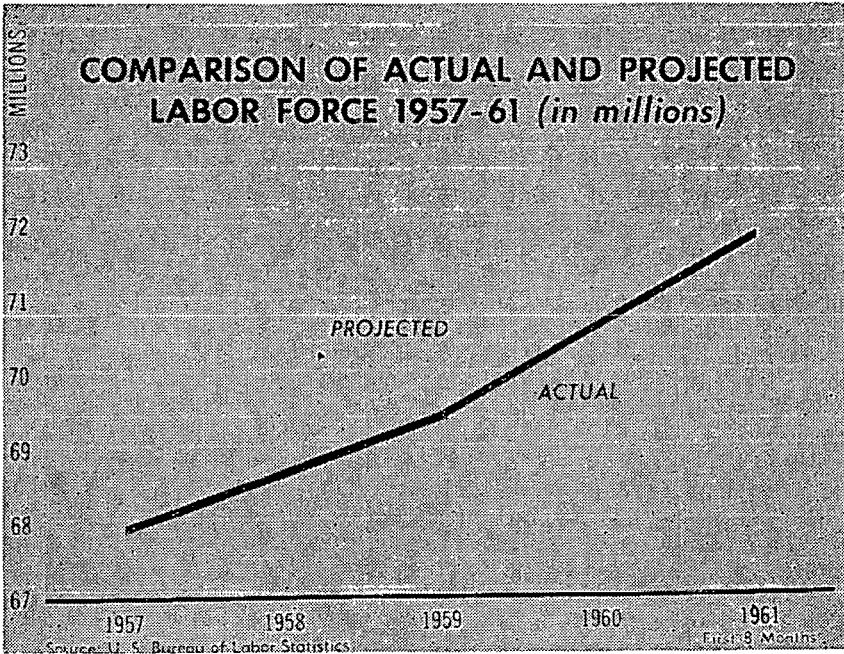
(2) Measuring part-time employment. At the present time monthly figures are released on part-time employment. However, no attempt is made to translate these figures into terms which would show how much full-time unemployment they represent. For example, two people, employed only for half a week, equal one person unemployed full time. And the 2.5 million part-time workers who wanted full-time work in September were equal to 1.1 million workers totally unemployed.

Senator Paul Douglas, Democrat of Illinois, in a speech on the Senate floor last July, presented estimates prepared by the Joint Economic Committee of Congress. They show the effect on the rates of unemployment if self-employed and unpaid family workers were excluded from the labor force and if the part-time unemployment was translated into terms of full-time unemployment. On a seasonally adjusted basis, total unemployment (including part time) among the real civilian labor force—wage and salary workers—came to more than 10 per-

cent for the month of June instead of the 6.8 percent arrived at under present methods.

This is a significant figure because it helps provide a better understanding of whether the economy is providing employment opportunities for people who want to work. Therefore, such data—providing information on the wage-and-salary-worker labor force and on part-time employment—should be published on a continuing basis together with the present data.

Finally, the AFL-CIO believes more attention should be given to the influence economic conditions exert on the size of the labor force. It is already clear there is a tendency for the labor force to grow more rapidly when jobs are plentiful. People not normally interested in seeking employment will take jobs that are readily available.



On the other hand, when conditions are bad and jobs are hard to find, the labor force tends to shrink as people decide it is not even worth the time to seek employment. Thus, during economic slowdowns there is a tendency to understate the unemployment problem because people who would otherwise take jobs are not seeking work. Obviously, it would be more accurate to describe such persons as "unemployed" rather than "not in the labor force." Under the present method, however, they are not counted as unemployed because we make no effort to determine whether they would be in the labor force if jobs were available.

Our information on the population of the United States enables us to project the size of the labor force we can expect in any given year. The Bureau of Labor Statistics made such a projection in 1957 on the basis of the 1947-56 trends in the labor force. Based on that projection, the labor force was expected to grow to 68.8 million in 1958, to 70.0 million in 1959, to 71.2 million in 1960 and to 72.4 million in 1961. During these years, however, unemployment has remained high. A comparison of the projected figures with the actual figures fully supports the point being made here: when jobs are scarce the growth of the labor force slows down because many people who really want jobs are not counted as unemployed. They are counted as "not in the labor force" because they are not actively seeking work, despite the fact the reason they are not job-hunting is simply because they feel there are no jobs to be had.

Instead of growing as expected, the actual count of the labor force was 68.6 million in 1958, 69.4 million in 1959 and 70.6 million in 1960. The figure for each year was below the projection. Similarly, for the first 8 months of 1961, the labor force averaged only 71.8 million—more than 500,000 below the projection for 1961.

Therefore, in order to present a better picture of the employment situation—to learn the extent to which people are leaving the labor force simply because jobs are not available—data should be published regularly dealing with the actual size of the labor force as compared to the size that had been “projected.” This, together with the other proposed improvements, would provide a much better measurement of the impact of economic conditions on employment and unemployment.

And this, after all, is the purpose for which the data are intended.

Mr. MEANY. Now let us look at the present status and future prospects of the job market.

Two weeks ago, the Bureau of Labor Statistics released the job figures for November. They showed a fairly substantial decline in unemployment—the first such decline in about a year. The reaction in some quarters was that unemployment was being cured by the general economic recovery, and that no further Federal action should be taken. There is no basis for such an optimistic attitude.

An unemployment rate of 6.1 percent, while it is certainly better than 6.8 percent is still far too high. And when we look behind the percentages, what we find is deeply disturbing.

First, there was an artificial slacking off in the growth of the labor force itself. Instead of increasing by a million or more during the last 12 months—a rate in keeping with the Nation's population growth—the total labor force grew only about 350,000, less than half the average for the previous decade.

What's the explanation for this? The only logical answer, it seems to us, is that many potential workers—young people, married women, older persons at or near retirement age—simply became discouraged by the extent of unemployment and didn't even bother to look for work.

There are some who argue that these are marginal workers anyway; that they ought to be out of the labor force. We don't agree with that, for reasons I will enlarge upon in another connection.

In any case, we believe the slow growth in the labor force during the last year is storing up trouble for the year or two ahead. Those who stayed home in 1961—especially the younger group—will in a short time emerge to make the increase in jobseekers far higher than normal in some future year. Thus jobs may increase without reducing the number of jobless.

#### DURATION OF UNEMPLOYMENT

A second disturbing fact is the duration of unemployment in certain occupations and areas. About 30 percent of the present jobseekers have been without work for at least 15 weeks. More than 17 percent have been idle for 27 weeks or longer.

Third, there has been no reduction over the last year in the number of workers compelled to work part time because full-time work has not been available. There were 2,420,000 such workers in November. In terms of lost man-hours of work and earnings, they were the equivalent of another million unemployed; yet this is not reflected in the unemployment figures.

Fourth, man-hour productivity has increased by leaps and bounds since the early months of 1961. It is quite normal for productivity in manufacturing to go up sharply after a recession. Now we find the same trend in retail and wholesale trade, the service trades, and the construction industry. I refer you for proof to the November issue of *Fortune* magazine.

This is an unprecedented development. The effect is that not only factory workers, but also trade, service, and construction workers, laid off during the recession, find that the jobs they left are no longer there, even though business activity has improved sharply.

At the present time, then, we have an unemployment rate that is too high in itself; and we have serious underlying factors that make matters worse than the unemployment rate would indicate.

All this has been building up since 1953. I have here, for the committee's information, a statistical analysis of what has happened, which I submit for the record.

This is this sheet here.

Senator PROXMIRE. Without objection it will be put in the record. (The document referred to follows:)

TABLE 1.—Total labor force, employment and unemployment  
[In millions]

	1953	1960	Change between 1953 and 1960
Total civilian labor force.....	63.8	70.3	+6.5
Total employed.....	61.9	66.4	+4.5
Agriculture.....	6.6	5.7	-.9
Nonagriculture.....	55.4	60.7	+5.3
Total unemployed:			
Number.....	1.9	3.9	+2.0
Seasonally adjusted rate (percent).....	2.9	5.6	-----
Persons at work: <sup>1</sup>			
Full time, all industries.....	49.2	50.6	+1.4
Part time, all industries.....	10.2	12.8	+2.6
Full time, nonagriculture.....	44.4	46.8	+2.4
Part time, nonagriculture.....	8.6	11.1	+2.5

<sup>1</sup> Excludes employed persons not at work because of vacation, illness, etc., and therefore, does not add up to the "Total employed." Part time is defined as employed 1-34 hours per week or more. Hawaii and Alaska included in 1960 figures.

<sup>2</sup> Adjusted to account for effects of Good Friday in employment survey week of April 1960, Lincoln's birthday in survey week of February 1960, exceptionally bad weather and illness in the early months of 1960. (Adjustment by AFL-CIO.)

Source: U.S. Department of Labor.

NOTE.—In the 7 years from 1953 to 1960, the labor force grew by 6,500,000 persons. However, during this period, employment increased by only 4,500,000 and, as a consequence, unemployment increased by 2,000,000. Furthermore, a large part of the increase in employment that did occur was in part-time employment. The number of persons at work with only part-time jobs rose by 2,600,000, while the number at work full-time increased by only 1,400,000.

Mr. MEANY. But in laymen's terms, there's little wonder, in view of rising population, man-hour productivity and a slow rate of economic growth, that the end of each recession left us with an ever-rising backlog of jobless. When we look ahead, we see population and productivity going up even faster.

How many jobs are needed? We in the AFL-CIO have made certain estimates, which I will summarize.

About 2½ million jobs are required right now to reduce current unemployment to a tolerable level.

An average of 1.3 million new jobs will be needed each year for the next decade to absorb the increase in the labor force.

An even greater number of jobs—2.3 million a year, by our estimates—must be found for workers displaced by automation and other technological changes.

So even if the present backlog of unemployment disappeared; even if the country enjoyed full employment right now, 3.6 million jobs a year, 70,000 jobs a week, would have to be found in order to keep the American people at work.

The dimensions of the problem are staggering; and it's not a matter of dimensions alone. The question is not only how many jobs but what kind of jobs.

Let's return for a moment to the 1953-60 period, the 7 lean years in job opportunities. Here's what we find:

One and a half million production and maintenance jobs in factories disappeared.

Farm employment dropped 900,000.

Four hundred thousand railroad jobs were lost, and another 200,000 in mining. Even the Federal Government cut almost 70,000 from the payroll.

In the communications and utilities industries, employment merely held its own.

There's a loss of 3 million jobs, while the labor force was growing by 6½ million.

Now obviously there were many jobs created, otherwise the economy would be back to 1932. But where were they created?

Nonproduction jobs in manufacturing—executives, professionals, technicians, salesmen, clerical workers—went up 670,000.

In finance, insurance, and real estate, employment rose 450,000. Another 150,000 were added in the construction industry.

I have already noted that by far the largest jump was in State and local governments—about 1.9 million.

As a general proposition, a displaced factory worker, farmer, railroad worker or miner is not equipped to move right into a job in these categories. As matters stand today, these new openings offer him little hope, even if they were numerous enough.

On the other hand, consider the 1.1 million additional jobs in retail and wholesale trade, and the like number in the service trades, that opened up during those 7 years. In all probability the factory worker, farmer, railroadman or miner could fit in here somewhere, and many of them have done so. But a high proportion of these jobs are only part-time, and nearly all of them pay very low wages. The effect is disastrous to the individual worker and a drain on the national economy.

Since it is now the fashion in conservative circles to minimize unemployment, we often hear it said that one-fifth of the unemployed are married women, and others are also secondary contributors to the family income. These people, we are told, should not really be counted; as I pointed out earlier, according to this school of thought the second earner is "marginal."

#### IMPORTANCE OF "SECOND INCOME"

Unquestionably, unemployment among these secondary contributors to the family income causes less hardship than unemployment among the heads of households. However, the importance of a second income

to the pattern of family life, and to the structure of American society, is not fully realized.

I didn't realize it myself. I tended to assume that the majority of the two-or-three-income families would be found in the very lowest wage occupations, where one income couldn't maintain even a minimum standard of life for the family. To put it another way, I thought the wife went to work more as a matter of desperation than anything else, except in those cases where she had a professional career, or some intense personal interest along the same lines.

My eyes were opened by a study published last August by the National Industrial Conference Board. I don't think the NICB can be accused of being a front for the AFL-CIO, or a sympathizer with our viewpoint on most matters. In quoting from this NICB report, therefore, I think I am offering a nonlabor finding. This is what the report says, in part:

More than 20 million of the Nation's 45 million families have two or more of its members in the labor force. This fact of our economic life, although little discussed, has extraordinary implications for marketeers.

For here, in sturdy measure, is the basis for our exceptionally large middle-income class—that segment of the population which provides the core of demand for a wide range of consumer goods and services. A full two-thirds of all families with annual incomes of \$7,000 or more, for example, include at least one supplementary worker.

Let me interrupt the quotation at this point to say that the NICB has backed off a little from the two-thirds figure, and is now talking in terms of more than half. But don't think this invalidates the point. The report goes on:

Something of the buoyant effect that multiple-earner families have on our income structure is suggested by the fact that they are predominant in the middle and upper bracket households \* \* \*. The evidence is decisive. A substantial proportion of our middle-income and upper-income families achieve and sustain this status through the contribution made to the household coffer by a secondary working member.

Let me try to translate this into day-to-day terms. A family with two working members establishes its standard of living on the basis of total family income. That affects, for instance, the price of the house it buys, and the size of the mortgage it shoulders.

This is only one example. Whether the family has a car, and if so, what price, new or used; whether it can afford two cars; whether it can afford a new stove, refrigerator or some other appliance—literally every economic decision the family makes depends upon that second income.

So it's foolish to argue that a second income is "unnecessary"; the second income is often the key to the family's role as a consuming unit. And in those cases it is the key to the escape of workers from what the Communists call the proletariat into the American middle class.

I hope a combination of the NICB and the AFL-CIO will convince you that the "margin" provided by those who are often called "marginal" wage earners is frequently the difference between struggle and satisfaction for the families, and between prosperity and recession for the country.

Now we come to the basic question: What should be done, what can be done, what must be done by the Federal Government to meet the problem of unemployment?

If you ask this question of the economists—including our own at the AFL-CIO, for whom I have the highest regard—you are apt to get a preliminary answer to the effect that “job opportunities need to be expanded.” This reminds me, in a way, of Calvin Coolidge’s statement:

When people are out of work, unemployment results.

Of course, we need more job opportunities. How can we create them?

We know by now, I hope, that stepped-up business activity, greater production, a faster rate of economic growth—essential though they are—do not in themselves meet the need. They fall short because they cannot without additional steps absorb the present backlog of unemployed and enable the economy to cope with a rising work force and rising man-hour productivity. Nor do they contain in themselves the provisions needed to fit workers to the new occupational demands of a changing society.

#### ENCOURAGES EXPANSIONIST POLICIES

To be sure, the Federal Government should follow budget, monetary, and related policies that encourage economic expansion. We in the AFL-CIO are acutely aware that the inflation bogey has been revived, and has frightened some persons of influence in Congress and the administration. We are anything but inflationists, since union members, both active and retired, would be among inflation’s early victims. We are, on the other hand, expansionists; since we see no other way in which the creation of 70,000 jobs a week is even remotely possible. So we believe in economic growth. But we don’t go along with those who say that economic growth is a cure-all. While we may share the general economic theories of these people, we insist that there must also, at the same time, be practical steps to help workers adjust to job changes and to help see them through periods of economic stress.

In the immediate sense, to help absorb the present backlog of unemployed and prevent its recurrence, we continue to support a flexible public works program, as proposed by Senator Clark, which can be put into operation according to the national need. On the same basis we feel the President should have power to institute a temporary and limited forgiveness of withholding taxes on income.

We understand and sympathize with the problems involved in effectuating the new Area Redevelopment Act, but we hope it will soon fulfill its mission of improving the economic health of distressed communities.

We further urge a national program of retraining and—where necessary—relocation of workers whose skills are obsolete and whose jobs have been pulled out from under them by circumstances beyond their control.

As we have said many times before, the unemployment insurance system should include adequate minimum standards, established federally and applied throughout the country. The U.S. Employment Service needs comparable reorganization so it can serve as a genuine national placement bureau for workers of all degrees of skill, training or previous income—and without regard to race, creed, or national origin.



For the youngsters coming up, we need to strengthen our educational system generally, including an upgrading of vocational education all along the line, including the kind of programs contained in the Youth Opportunities Act.

Special measures are required to assist older workers displaced by automation or plant migration.

A start should be made at once on a Federal study of the effects of automation, with a view toward a general reduction of the standard workweek, as established by the Fair Labor Standards Act, at existing levels of take-home pay.

To make all these proposals effective in a practical sense, even if every one of them could be enacted next January, would require the full and energetic application of the Employment Act of 1946.

Another requirement, especially where automation is concerned, is statesmanlike collective bargaining. Whether the issue is the size of the work force, the length of the workweek, seasonal fluctuations, pay rates, severance pay and supplementary unemployment benefits, the employer shares with the union an obligation to protect the community interest. This can't be done by unilateral decisions by the employer alone.

Statesmanlike collective bargaining, on the face of it, require a willingness on the part of the employer to actually bargain. Where that willingness has existed, a number of our affiliated unions have been able to conclude contracts that ease as much as possible, under present circumstances, the impact of technological change. Unfortunately, there are still too many employers who reject the principle of collective bargaining entirely or, when they have no alternative, conduct it as though it were entirely an adversary proceeding.

This has been a skeleton summary of the AFL-CIO's idea of the basic essentials required to cope with unemployment and approach the national goal of jobs for all.

I have deliberately refrained from a point-by-point elaboration for two reasons. One is that in a legislative sense, most of what I have recommended is outside your direct purview as a committee, although I hope you will consider our program as individuals, and for incorporation into your report. The second reason is that the members of this committee, by definition, are experts in the field and are fully familiar with the measures we favor.

I do want to conclude with a brief observation.

Unemployment is an important enough problem just as a statistic. When we have jobless citizens in considerable numbers, when we have others who work only part time, when we have still others engaged in work below their skills, we weaken our economy at home, and we dim the image of America before the world.

That's cause enough for concern. You know as well as we do that our country, and all the free world, is locked in an epic struggle against a philosophy whose only boast is ultimate material accomplishment; a philosophy that well-organized slaves can eventually surpass, in a material way, the achievements of free and independent men.

We in America reject that philosophy because it is founded on the subjugation of the individual. And we also reject its sole appeal to the underdeveloped and uncommitted peoples. We know that

material well-being and political freedom go hand in hand. Yet we must prove it in the arena of the world as we see the world today. We simply cannot afford to be complacent when 4 million citizens, in the most richly endowed nation on earth, cannot find an outlet for their talents.

Nor can we afford to be complacent for our own sake. We in the AFL-CIO would be fighting for full employment in America, as we have said before, if there were no other great power on earth. For unemployment is not just a statistic. Unemployment means people. Perhaps 15 million Americans have felt its cold touch in the last 12 months. You cannot brush aside 15 million citizens as a statistic, and much less as a statistic that doesn't really exist.

What we need, Mr. Chairman, from your committee, from Congress as a whole, and from the administration, is not a new statistical approach but a new economic and political approach—one that will in the full sense put America back to work. That's what our country needs; that's what the cause of freedom needs; and that's what we are asking of you today.

Senator PROXMIRE. Thank you very much, Mr. Meany. It is certainly a hard hitting and vigorous expression of your position, your organization's position, on what many of us regard as the prime economic problem that faces us.

I am certain that none of us are complacent about the situation.

#### EFFECT ON BUDGET BALANCE

I would like to ask you, first, when you begin to describe the prescription, what can be done, you generally propose the Clark bill, an expansion of the Area Redevelopment Act, retraining, unemployment insurance and, possibly, a reconsideration of our whole economic situation with regard to the possibility of shorter hours.

Now, with regard to the first one, it seems to me that we have to recognize the grim reality that we probably will have the biggest defense budget, by far, in history, much bigger than we had last year, a defense budget of \$50 or \$52 billion.

We, at the present time, have an unbalanced budget. The President has indicated that he is determined to have a balanced budget next year.

If the Clark bill were enacted and were sufficiently big to do any good, and if—there is one omission that I made here—if we enable the President to withhold, to reduce withholding taxes so that taxes were cut, spending were increased and, at the same time, we had the big defense effort, doesn't it seem to you we would have a very, very substantial deficit, and does that concern you?

Mr. MEANY. Well, of course, it concerns us. But, on the other hand, we do not believe that the American people should make a fetish of budget balancing just for the sake of budget balancing. I mean, this budget balancing may be very important but I think the most important thing is survival, and all of the things that we talk about run to the question of national survival.

Now, what good is a \$52 billion defense budget if we are going to fall apart, if the national economy is going to fall apart, internally on this question of unemployment?

We just cannot afford to permanently have 6, 7, or 8 percent of our people out of work, and this is one of the fronts on which we fight this cold war just as much as the military preparedness front.

Now, this is the important thing. We are going through an industrial change that is something we have never—well, we just have no precedent for this in our history.

We have been told that technological improvements, substitution of the machine for human labor, that we have met that over the years. Well, of course, we have. But we have met it through a slow process year by year.

Here we now have cramped into a few short years more technological changes and more automation than we have had, perhaps, in the whole history of the Nation for the last 150 years. Do we blindly go on and hope that something is going to happen to take up the slack?

Now, we have had growing industries, we have had industries that were barging ahead, hiring more people, selling more products, and they took up some of the slack of people who were displaced. In fact, a good many of the displacements from mechanization and automation were taken up by the same industries by virtue of the fact that they made articles cheaper and found a much wider market.

But we cannot go by that because what is happening today is this intensification of technological change, this intense automation, is displacing more and more people, and I think this is something that the entire country has got to look at as our No. 1 domestic problem.

If it is possible to meet this problem and balance the budget that is fine. But I think that meeting this problem is more important than balancing the budget.

#### CLARK BILL

Senator PROXMIRE. Well, is it not true, however, that a \$4 to \$6 billion step-up in defense spending is likely to have pretty much the same impact, perhaps not quite as much on jobs as an expansion of public works, which are proposed in the Clark bill?

Mr. MEANY. No, there is this big time lag in your defense spending, getting into the workers' pay envelopes that concerns us.

Now, the Clark bill provides for immediate employment on the basis of plans with Federal Government assistance, of course, on the basis of plans that are ready to move forward immediately, and they are more or less in the general sense short-term projects, and it also provides that the President would be in a position to sort of turn this thing on and turn it off as the situation requires.

Senator PROXMIRE. But is it not true that the Clark bill has two shortcomings? In the first place, you talk about the unemployed who were displaced farmers, factory workers, railroad workers, how would they fit in with a bill that was primarily priming construction jobs?

Mr. MEANY. That is exactly where they would be most likely to fill in.

Senator PROXMIRE. These are men who are not construction tradesmen.

Mr. MEANY. Naturally, they are not. But a great deal of the construction work calls for a lot of unskilled labor, and surely we have got to think of retraining those men; perhaps they would be more apt to find their retraining opportunities in the construction field.

Senator PROXMIRE. The second difficulty is that the Clark bill would provide jobs all over America, whether you are in an area of labor shortage or labor surplus.

There is on the shelf a need for building police stations, fire stations, and so forth, as I understand the Clark bill, which would provide grants to get the job done anywhere, and there is no discretionary authority to permit the President to apply it just where you have serious unemployment.

Mr. MEANY. It would provide grants, provided the Federal Government wants to put the grant in that particular place. The Federal Government would have the job of selection. Surely they would not put it in an area where there is no unemployment.

Senator PROXMIRE. The bill gives the Federal Government no discretion where the jobs go. Furthermore I would assume the principal demand for labor, growing out of the Clark bill would be for construction people who were skilled and trained and not for the people who need the jobs now, because they are in fields which are obsolete.

Mr. MEANY. We, of course—

Senator PROXMIRE. Mines, farms.

Mr. MEANY. Of course, there is the angle of the money spent having its effect on the community, too. I mean, you spend money for construction, it reaches all the way back into mills and the lumber yards and, of course on the other end it provides greater purchasing power in the community.

Now, I think that the Clark bill could have reduced our unemployment considerably if we would have had it a year ago.

Senator PROXMIRE. Let me ask you how much of an appropriation just roughly—of course, I would not expect a precise answer—would you think the Clark bill would have to be, in the order of \$2, \$3, \$4 billion, to do something about our present problem?

Mr. MEANY. It would not have to be more than that, I am quite sure, \$2 or \$3 billion.

Senator PROXMIRE. Well, \$2 or \$3 billion—

Mr. MEANY. The present bill just provides \$1 billion as the top limit.

Senator PROXMIRE. Let me come back to this in a minute.

#### TAX CUT

How about this withholding tax proposal? You would feel that should go into effect, if we had that on the books now you would feel the President would act on it and would reduce taxes by cutting the withholding tax?

Mr. MEANY. It would give us some badly needed purchasing power that should help the general economic situation.

Senator PROXMIRE. To what extent would you say that might be put into effect now, looking at it to do some good?

Mr. MEANY. We had a proposal that everybody would be forgiven \$100, which, translated in the overall picture, would amount to over \$5 billion.

Senator PROXMIRE. \$100 over what period?

Mr. MEANY. \$10 a week for 10 weeks.

Senator PROXMIRE. \$10 a week for 10 weeks?

Mr. MEANY. Yes.

Senator PROXMIRE. That would be a \$5 billion reduction in Government revenue?

Mr. MEANY. Yes.

Senator PROXMIRE. Combined with a \$2 billion increase in Government spending?

Mr. MEANY. That is right. That would be a direct reduction of Government revenue. But, on the other hand, if we can step this economy up, it also means increased income in the general picture at the end of the year.

Senator PROXMIRE. We will come back a little later to that.

Mr. Widnall.

Mr. WIDNALL. Mr. Meany, in your statement you characterize the 1953-60 period as the seven lean years in job opportunities.

Now, from 1953 to 1960, civilian employment increased by almost 5 million while the civilian labor force increased by 6.8 million.

Mr. MEANY. Well, the record for those years, Mr. Widnall, shows that we did not pick up the new people that came into the labor force. We had an average of 820,000 a year, we did not pick them up; and each recession in that period started from a higher unemployment base. In other words, we got progressively worse as time went on.

Now, 1953 we had a total civilian labor force of almost 64 million; in 1960 we had a total civilian labor force of over 70 million. There is an increase of 6½ million people in the labor force during that time, so total employment in that time rose 4½ million, according to our statistics. This means there is a 2 million loss, this means that 2 million are lost, and it became progressively worse.

If we follow this trend for another 10 years, where would we be, especially with the increased automation and the increased impact of these technological changes? We kept going from a higher base. Our base, I think, when we started the recession in 1953, I think our base was less than 2 million.

We started one in 1958 with a base of about 3 million, is that right, unemployed. In other words, we got progressively worse.

Now, the number of people who were employed in 1953 was 61.9 million, which left us this 1.9 unemployed, and in 1960, there were 66.4, so there was almost—it was exactly 4½ million more people working, but our labor force has grown 6½ million, so there is a net loss of 2½ million.

Mr. WIDNALL. Mr. Meany, in bringing this up I am not trying to justify unemployment. I think it is unwholesome to have 3.9 million unemployed, as the figures show there are today, probably less than that, because it is probably picking up another three or four hundred thousand.

But it seems to me that when you take into consideration 1954, when unemployment went up from 1.9 million to 3.6 million, that was the end of the Korean war, and you had the impact of the returning veterans and a different type of impact than you normally have with respect to unemployment.

From 1954 to date—and I think today's figures will show around 3.6 million unemployed—you have got the same amount of unemployment today as you had back in 1954. It has not been increased, and in all those figures you have a hard core.

Mr. MEANY. There has been an increase, there are over 4 million unemployed right now today.

Mr. WIDNALL. I understood that the unemployment had come down within the last month, and the last figure we have here is 3.9 million.

Senator PROXMIRE. My understanding is that unemployment went up slightly in November, but seasonally it went down greatly because normally unemployment increases a great deal in November. It went up to 3,990,000, almost 4 million.

Mr. WIDNALL. Isn't there a hard core of unemployed of about a million, and the rest is fluctuating?

Mr. MEANY. Well, of course—

Mr. WIDNALL. By a hard core—

Mr. MEANY. Of course, you have to add to the totally unemployed those we do not—those who are partially unemployed. In this kind of economy there would be a hard core which, for all practical purposes, you would say, that if you had full employment, and I would say something like 2 million, if there were only 2 million statistically unemployed, I would say that was about as good as we could get under this type of economy, because there are always people who are between jobs, there are always people who, for reasons of their own, decide not to look for jobs for the time being, so that hard core, however, could not be construed as anything more than 2 million.

Mr. WIDNALL. Wouldn't there be in that 2 million the same 1 million that I am talking about, the hard core who badly need retraining or in the elderly age group who have difficulty in obtaining employment? I think they are the ones who are the greatest trouble.

Mr. MEANY. You might put the elderly people, but I do not see why you should put in the younger people, people who are in their forties and who have been permanently eliminated from the only trade they know or the only business they know after 20 years, perhaps, of seniority.

Mr. WIDNALL. They are the ones who badly need retraining.

Mr. MEANY. Yes; they need retraining.

Mr. WIDNALL. And in some cases it probably will take relocation in order to obtain jobs. But I think many of us in the Congress want to see some realistic programs promoted in this coming session that will take care of that.

Do you have any breakdown at all as to how many in organized labor are unemployed?

Mr. MEANY. We have that, but I do not have it here with me. I could not tell you.

Mr. WIDNALL. Would you have that by categories, construction workers, chemical workers?

Mr. MEANY. No; I do not think so.

Mr. WIDNALL. I wondered how that compared with the unorganized laboring man so far as unemployment was concerned? It would be an interesting statistic to have.

Mr. MEANY. I think our percentage would be pretty much the same as the others.

Mr. WIDNALL. Now, both Japan and Germany have automated pretty well, and I know in a number of industries their automation has gone ahead of that here in the United States. They presumably have full employment today.

Western Germany has had to import workers, I believe over 200,000 from Italy and some, too, from Spain.

What is your opinion, to what do you attribute their success in getting full employment?

Mr. MEANY. To begin with, they had an entirely different problem. When you start from nothing, and they started from nothing in 1948, and I mean nothing, they had no homes—we have homes here; they had to rebuild an entire economy that was prostrate and flat as the result of the war.

Now, I do not know how you can make a comparison of the effects of automation in a country in that situation and this country.

Mr. WIDNALL. I wondered what observations you might make as to their method of taxation as compared to ours, whether or not that was conducive to growth, to better job opportunities; whether you felt that pricewise they were getting business from us.

Mr. MEANY. I do not believe Germany, a comparison between Germany after the war years and us—we were not prostrate, we were not without homes. They were practically without homes for all of their people. Their cities were prostrate, their cities were destroyed, and they just had to start from scratch.

Mr. WIDNALL. I understand that. Now they have rebuilt, and they are growing, and they still have that full employment.

Mr. MEANY. Yes; they have up to now.

Mr. WIDNALL. We are going to entertain proposals in the Congress this coming session that are extremely important to the future with respect to freer trade with respect to our country and the other countries.

What effect do you think that will have on the employment situation here in the United States?

Mr. MEANY. Well, of course, it can increase our favorable balance of trade that we have now, of course, the more we increase it, the more, I think, it would have a favorable effect on our unemployment situation.

But whether we can do that or not I do not know.

Mr. WIDNALL. Do you feel we can compete pricewise in most fields?

Mr. MEANY. We are competing pricewise to the tune of \$5 billion a year in our favor.

Mr. WIDNALL. Isn't a lot of that Government appropriation here in the United States in the purchase of goods here in the United States to be furnished to these other countries under some of our programs?

Mr. MEANY. Not in, that does not go in, our trade balance. I am talking about what we export and what we import. We are \$5 billion to the good, so that does not look like we are being priced out of the world market. The imbalance in payments is another matter of which the trade balance is just one portion.

Mr. WIDNALL. That is all, Mr. Chairman.

Senator PROXMIER. Mr. Bolling.

Mr. BOLLING. Mr. Meany, in part of your statement you point out that a number of people are trying to convince the American people that unemployment really is not a very serious problem.

One of the other things that the same groups do fairly consistently is to use a quote sometimes ascribed to Lenin, sometimes to Stalin, sometimes even to Khrushchev, which is a phony quote, it was never said, nobody has ever been able to find it, to the effect that "we will defeat the United States by making it spend itself into bankruptcy."

This then goes on, this line of argument then goes on to make a great cry about the size of the public debt.

The impression or the attempt is made to convey the impression that our public debt is a great threat to the economic system of the United States, and so on.

I have just been checking some figures, and I find, if my figures are correct, that our gross national product in 1946 was something over \$200 billion, and that it is running at a third quarter rate of a little more than \$525 billion in 1961.

The figures I have indicate that our debt in 1946 was almost \$270 billion, and is estimated to be \$296 billion at the end of fiscal 1962. That is an increase in GNP of, I think, almost exactly  $2\frac{1}{2}$  times, and an increase in the public debt—I do not have the percentage, but a very obviously much smaller proportion.

I wonder if you feel that this argument that the debt is a great threat to the United States has any validity?

Mr. MEANY. No; I have never felt that way. I have felt it is something we owe to ourselves and something that certainly cannot be placed alongside of the larger question of our national security, which is definitely threatened by world events and by these people who are in charge of things in Moscow.

Certainly we cannot wish this away, we have got it in this hemisphere, we have got it in the newly emerging nations of the world.

We have got this fight between our way of life and the Communist way of life. There is no worry in the Communist way of life about public debt. There is nothing to worry about there. They do not worry about profits or things like that.

We are trying to preserve a system, and it is a system which we in the trade union movement have a vital stake in. We believe in this system. If we did not believe in this system I would be a Communist.

I am not a Communist because I believe in this system, and the system has worked, and we think it can work. But it cannot work if we blindly go to the point of automation and technological improvement at a tremendous rate. Things have happened in the field of automation and technological changes in the last few years that are perhaps greater than happened in the first 50 years in this country.

We took those changes that came gradually in those early years: we absorbed them, our economy grew. Can we do this now and without some Government help? We say it cannot be done without Government help.

We just cannot let nature take its course. The man who manufactures this machine says very frequently that his machines displace human labor; that is what they are made for, that is the purpose of the machine.

But if we are going to wind up with 7, 8, 10 million people permanently unemployed, well then, the purpose of the machine, if that is what it brings about, is to destroy the American way of life.



I cannot get excited over the public debt when I compare it with the security of this Nation. That is what we have got to think of, the important thing—and the important thing is security.

Now, the Russians have not said that we would spend ourselves out of existence. What they have actually said, and what they have taught in their schools for years, is that the capitalistic system will collapse because of the greed of those who run it and their complete disregard for the people at the lower rung of the economic ladder. That is what they firmly believe, not that we will spend ourselves out of business, but that we will destroy it because the system will not do the things for the people at the lowest end of the economic structure that the Communists say that their system does, and perhaps to some extent it does. But what they do not say is in doing it they destroy the liberty of the individual, and that is something that we think is also important.

Representative BOLLING. I heartily agree with that point. The point that I was getting at was that if the GNP has gone up  $2\frac{1}{2}$  times from 1946 to 1961, and the debt only about \$30 billion, if we could stand that proportion of GNP to debt in 1946, in a like emergency certainly we can stand a much higher proportion of debt today in the present situation.

Mr. MEANY. Yes. And the debt, when you place the debt alongside of our gross national product, of course, the increase in the debt is very insignificant, compared with the tremendous increase in the gross national product; that is quite obvious.

Senator PROXMIRE. Mr. Meany, I would like to pursue that. When I finished my questioning the last time I was discussing the implications of this same situation.

I would like to say several things in connection with the questioning by Mr. Bolling.

There is no question in my mind that our Nation is not going to be crushed. We could stand a far bigger debt than we have now; our economic system is not going to become socialized by a bigger debt. I think it is a burden, and it is a burden to the workingman as much as anybody else because he pays the taxes, and this burden means he is going to have to pay a premium on the spending that goes on now and at a later time he has to pay interest on it as it is paid back.

It is true that the debt is relatively lighter in relationship to the gross national product now. But, after all, 1946 was the end of the greatest war we had ever had. We had a fantastic, enormous increase in debt during that war, and the fact is that during peace—

#### WORKERS NOT MAINLY WORRIED ABOUT TAXES

Mr. MEANY. I do not think the workers are too much worried about taxes, provided they pay taxes. When the worker worries is when he does not pay taxes.

Senator PROXMIRE. There is no question about that.

Mr. MEANY. That is the time to really worry.

Senator PROXMIRE. Yes.

Mr. MEANY. And, you know, this reminds me of something that my wife said a short time ago about the price of coffee and the price of butter; she remembered when coffee was 29 cents a pound and

butter was 29 cents a pound, and then she said, "Look at the prices today."

I said to her: "Also, let your memory go back to the time when butter and coffee were 29 cents a pound each, but there were very few people that we knew who could buy butter and coffee in those days."

Senator PROXMIRE. Yes. But I agree that the worker is far more concerned with the job, although he is concerned with the taxes, too.

Mr. MEANY. Even though the price is up, at least the worker has the wherewithal to buy it, so that the tax burden on the worker—sure, we are concerned about that—but the real concern is when his earnings are so small that he does not pay any taxes at all, when the law does not require him to pay any taxes, then he is really in trouble.

Senator PROXMIRE. As a last resort it seems to me that the public works program, tax reduction, and so forth, are undoubtedly what almost everybody will agree that we have to do if we have to do it. But it seems to me this is kind of a lazy way to approach it.

I think that what your analysis has indicated, and the analysis of the very able man with you has indicated, that this is a fundamental problem we have in our economic system; it is very fundamental. We expect this to be a long-range problem, because, as you say, of the rapid automation and for other reasons. If we are going to try to solve it by running deficits, in relatively prosperous times like the present, the taxpayer is really going to take it on the chin in the future for we are sure to have a bigger and bigger burden as time goes on.

Sure, we can stand a debt far bigger than the present one, but this is the only solution too many come to, and, as I hear most recommendations on solving this unemployment problem, I am troubled because both the economists and the able people, such as you, come back constantly to the notion of a Government deficit as the way to do it.

I think when you start dealing with hours, when you start dealing with retraining, with some way of opening up new markets, and so forth, you are being more fundamental.

I just feel if we could view this as a temporary cycle, then your proposal that we solve it by temporary deficits would make sense. But if we view this as a permanent long-range problem, and you say what we need, although we have a \$7½ billion deficit this year, is a bigger domestic spending program on top of our very, very heavy defense budget, and cut taxes, too—

Mr. MEANY. Well, we make it quite clear that we figure that the Clark bill is something to take us over a temporary period. That is not—

Senator PROXMIRE. But you say the problem is not temporary. Your analysis, I think, does a very excellent job of showing it is not temporary.

Mr. MEANY. That is right.

But these are the things we have to do immediately. No, the problem is not temporary, the problem is basic.

Due to the so-called population explosion, we will have coming into the labor force a net of 1,350,000 people every year of the 1960's as against a net increase of 820,000 every year of the 1950's.

Now, this 1,350,000 are people who are coming in, they are there, the vital statistics show this.

But in addition to this, the increase, we need these many more jobs, we have this increased automation which has had a terrific effect on certain industries, and which is going to have a greater effect.

Let me just give you this little picture. In the basic steel in 1955 we had 660,000 workers in basic steel making steel.

In 1960 we had 600,000 workers in basic steel, 60,000 less, but in 1960 we made 10 percent more steel with that 10 percent less workers than we had in 1955.

Now, the same is true in the automobile industry. We are making more and more automobiles, but carwise and moneywise with less and less workers all the time.

Senator PROXMIRE. You are on my side on this one. You are saying this is a problem that is likely to become permanent, and for many, many reasons. You have listed some of the most cogent. Other reasons are—well, I think you make a point that nobody has made before, but I think should be made with great emphasis, that one of the reasons why we have only—I say only, although it is very appalling that we have it—6 to 7 percent of our work force out of work, because other people would come into the work force, stay out because the prospects of getting jobs are too discouraging.

Mr. MEANY. That is right.

Senator PROXMIRE. We would have a bigger work force.

Mr. MEANY. But they are still there and they are going to come back sometime.

Senator PROXMIRE. That is right, and it is going to make it difficult to reduce the unemployment. As we get it down to 5 percent, perhaps, there is just going to be a much greater expansion than we have had before of the work force, and it is going to be very, very hard to get it down to 4 or 3 percent, which may be our objective.

Therefore, I think if we are going to try to do this with a deficit approach, with spending money we take in, with cutting taxes, and so on, we are going to, unless we have some more fundamental way to solve this kind of a problem, we are going to—load the American people with a debt burden which is very heavy.

I go along with you, of course, that this quotation of Lenin is nonsense, and I know we can bear a heavier debt than we have now. But I just think this is the easy, the simple, and not fundamental solution, and I call your attention to the fact that I know lots of people will dispute this with me, but the fact is we had an average deficit of some 4 percent of the gross national product between 1931 and 1941; the equivalent today would be a \$20 billion Government deficit, and while there were lots of reforms effected by the New Deal, and a tremendous amount of good done by it, we did not solve the unemployment problems.

So we might run deficits that are \$20 billion a year without getting anywhere. We might find we have to run a \$30 or \$40 billion deficit.

It seems to me the answer is more fundamental than just saying that we should cut taxes and increase spending.

Let me shift into something else, if I might, before I yield to my colleagues. The Wall Street Journal had an article in this morning—I do not know if you had a chance to see it—which is devoted to this very thing which you discussed in your statement, your policy

statement which is entitled "Many Firms Will Boost Hiring, But Efficiency Increase Limits Needs." That is the title of the article, and they refer to the situation in steel, as you have done. I would like to read a very short paragraph about how the effect of union activity may be retarding hiring. It says:

But rapid gains in steelmaking efficiency make it unlikely employment in the mills will climb back to prerecession levels. In October, steelmakers needed only 549,603 hourly and salaried workers to turn out 9,170,000 tons of steel; as recently as May 1960, the industry required 54,000 more workers to produce 340,000 fewer tons.

That is precisely what you have been saying.

And it goes on to say:

Lukens Steel Co. says it currently can "turn out more steel with the same number of workers" because of three innovations—

which are mainly responsible.

Then it says this:

Some of the rising steel orders are coming from automakers, who are turning out cars at a pace far above a year ago. However, the auto industry's new labor contracts, by raising benefits sharply for laid-off workers, are tempting the car companies to go slow in hiring new hands unless they're certain the new men won't have to be furloughed again shortly. General Motors Corp. is scheduling 365,000 auto assemblies next month, against only 233,000 a year earlier, but a spokesman says it will put the cars together mostly by instituting heavy overtime schedules for its present work force rather than by hiring new workers.

Now, do you feel that the benefits of this kind of thing which impose a burden on an employer, if he hires a worker, have the effect of slowing down employment in view of General Motors' announcements? What is the answer?

Mr. MEANY. Well, I do not know. This is one of the side effects you get from this situation.

The auto workers' problem at the moment—I think, from their viewpoint, the important thing is the retraining of these people who are permanently out.

Now, I am not familiar enough with this particular question that you brought up to give you any comment on it. I do not know.

Senator PROXMIRE. Mr. Widnall.

Mr. WIDNALL. No questions.

Senator PROXMIRE. Senator Clark.

Senator CLARK. Thank you, Senator Proxmire.

First, let me say for the record how much I appreciate your inviting me to participate in these hearings. I guess in a way I invited myself, but you were kind enough to—

Senator PROXMIRE. We are delighted to have you.

Senator CLARK (continuing). To let me come.

My particular interest, as Mr. Meany, Mr. Ruttenberg, and Mr. Biemiller know, comes from my being the chairman of the Subcommittee on Employment and Manpower of the Senate Committee on Labor and Public Welfare, and many of the measures which we have been discussing here this morning—if, as I hope they will, they receive the approval of the Joint Economic Committee—will have to come to my subcommittee for legislative action.

I regret it was impossible for me to be here yesterday. I spent the day at Berwick, Pa., with Mr. William Batt, the Area Redevelopment Administrator, and a representative of the Defense Depart-

ment for Defense Procurement, and members of the Pennsylvania State Commerce and Labor Departments to see what we could do to ease the pain of almost 2,500 workers in the American Car & Foundry Co. who are going to be thrown out of employment next October and, at the moment, have absolutely nowhere to go.

This is the kind of critical problem that is constantly resulting from the consolidation of heavy industry and the development of automation.

Now, I will be specific. Mr. Meany, in your statement you develop the conclusion that we are going to have to look for 70,000 jobs a week in the foreseeable future even if the present backlog of unemployment disappeared, if we are going to keep the American people at work.

I remember during the campaign of 1960, President Kennedy repeatedly said that we would need 25,000 a week in order to even maintain the then current level of employment. I wonder whether you can reconcile these figures because yours is a good deal more startling and a great deal more disturbing.

Mr. MEANY. Well, the 25,000 figure is based purely on vital statistics. That is, you have 1,350,000 jobs a year, and this is the net increase in the labor force.

The 70,000 comes when you add to that the loss that is coming—well, you are talking about Berwick, it would include Berwick; American Car & Foundry would add to that difference between the 25,000 and the 70,000.

Senator CLARK. In other words, you figure the potential growth in the labor force, and by that you mean people who would like to work if they could—

Mr. MEANY. Yes.

Senator CLARK (continuing). Even though they have never had a job. Then you include the effects of automation?

Mr. MEANY. And the effects of productivity increases which are quite obvious, and which, irrespective of automation, they come after every recession.

Senator CLARK. Finally, you would include the some 4 million presently unemployed, who, your figure would involve getting back to work?

Mr. MEANY. That is right.

Senator CLARK. Now, I am naturally flattered at your endorsement of the Clark bill, and with your permission I would like to ask you a couple of questions about it.

My position, I think, is somewhere between yours and Senator Proxmire's. I believe that the first priority is to get these people back to work at any reasonable cost, rather than by taking it out on the misery of people who do not have any place to work and no family income, but that the cost should be paid by increasing Federal revenues and balancing the budget.

#### CLOSE TAX LOOPHOLES

My own studies of the Federal fiscal picture convince me there is an excellent chance if we can spur the economy to continue its present growth and even to increase it, if we enforce taxes honestly and justly, if we close tax loopholes, we can do all these things, including the en-

actment of the Clark bill without any general increase in taxes, and I believe that most sincerely, and if this is not possible, then I say we have got to raise taxes. We cannot let the unemployed stay unemployed.

Now, with that background, I wonder if you gentlemen and you, particularly, Mr. Meany, would agree with me that one of the most profitable areas for increasing employment is in the public sector of the economy, by which I mean schools, roads, hospitals, sewage disposal plants, construction of all sorts, housing, commercial, industrial housing, and residential housing which, perhaps, is not in the public sector except to the extent that the Government underwrites a large part of the risk.

Isn't this one of the very great areas where Government can help put people back to work and, at the same time, increase the wealth of our country?

Mr. MEANY. Well, in this area which, of course, is covered by your bill, are things that should be done in our urban communities throughout the country if we did not have any cold war, if they did not have any problems, these things should be done.

Senator CLARK. If we did not have any unemployment.

Mr. MEANY. In other words, if we are going to make the American standard of living really meaningful, you cannot accept the city with its physical properties and physical outlines of 30 years ago; you have got to keep pace. There is not any city in the country that does not need this type of public works.

Senator CLARK. As there is hardly a city in the country that can afford to pay for them; isn't that right?

Mr. MEANY. That is right. I do not think there is a city in the country that does not have plans, either on the drawing boards or, in most cases, plans ready to go, and the only thing to stop them is just the lack of money.

Now, this applies to roads, this is schools, this is hospitals; these are the things that we have always felt should get the attention of Government even if we did not have an unemployment problem.

Now, the fact that we have an unemployment problem, it seems to me, makes the doing of these things more imperative at this time.

Senator CLARK. In my State, and perhaps elsewhere, it is also a question of getting pure water to drink, because our upstream communities in many places are dumping raw sewage into the drinking water of the town below, and they do not have the economic ability or the credit to build the sewage disposal plants.

Mr. MEANY. This is a problem that practically every major city has. We have it right here in Washington.

Senator CLARK. Yes, we certainly do, as we can smell on a hot day.

I noticed that you are also endorsing the Youth Opportunities Act, which I happen to be the floor manager of, although it is Senator Humphrey's bill.

Is it not your view that unemployment of youth is a very serious factor in our present situation?

Mr. MEANY. Well, I am a member of the President's Committee on this problem, and Dr. Conant, former president of Harvard, made a study of this, and he says this is the most explosive domestic problem that we have, the failure to provide employment opportunities because

there are social aspects of this thing that are devastating, even as the economic aspects.

Senator CLARK. That study scared me, and I am glad that you are vitally interested in it, too. I wish every Member of the Senate or the House could read it.

Mr. MEANY. I happen to think there is nothing worse for a young man or woman who has completed his or her education than to look into a blank wall, that there is nothing for them to do. There is no place, which means there is no place, for them in our modern society, and this is of terrific importance to me.

Senator CLARK. And you feel also, I see from your statement, that we have got to do something to make jobs more readily available for older people particularly when they lose their jobs and have such difficulty in getting new employment.

Mr. MEANY. All these things go in to make up this picture which, at the present time, looks kind of dark. I think these things are things that the Federal Government has got to concern itself with. I think the question of education of our young people is today part of our national defense.

Senator CLARK. There is not any doubt about it, and unless we get some Federal aid to education we are going to continue to have, in my judgment, more or less mediocre school systems in many areas of the country.

Mr. MEANY, I congratulate you on your testimony. I endorse all of it except that part which would be a little more complacent than I am about a deficit, and I hope these measures you are endorsing will get through the Congress and receive the President's approval this session.

One final question I want to ask you: there is some thinking in the executive arm of the Government that the Clark bill should be converted from an immediate measure into what is called a standby measure. In other words, it would become effective if, but only if, unemployment were to increase substantially over the present level over a period of 4 or 5 months.

I wonder whether you think we are in position now to be so complacent about it that we do not need it immediately?

Mr. MEANY. No, we have made it quite clear we oppose this idea. We think we have got to inaugurate this immediately, and as far as the meeting of a situation where we no longer need it, the powers, I think, are in your bill for the President to turn the faucet off.

Senator CLARK. Would you say that 4 percent was the maximum unemployment we should tolerate before the faucet should be turned off?

Mr. MEANY. At least that, yes; I agree.

Senator CLARK. My own view is lower, but we have to compromise sometimes.

Thank you very much, Mr. Chairman.

Senator PROXMIER. Mr. Meany, do you have any—this is not fair to ask you, and if you cannot make an estimate, just forget it—but do you have any estimate as to how much the Clark bill would have to be if we do not follow the policy you recommended of reducing taxes as a means of, as one of the prime means of, solving the unemployment problem?

In other words, you said it would be about \$2 billion, \$4 billion, \$3 billion, perhaps \$3 billion would be adequate.

Mr. MEANY. Yes.

Senator PROXMIRE. Senator Clark has said we should do it and would do it with, perhaps, a balanced budget, and I understand your proposal for tax relief would amount to \$5 billion, and most people would recognize this is a very important antirecession or depression measure to put people back to work.

Mr. MEANY. Yes, \$5 billion which would be offset to a degree that I am not able to estimate, but certainly would be offset to some extent by the increase of taxes which would come from the expansion of our economy which we think this would help bring about.

Senator CLARK. Would the chairman yield briefly?

Senator PROXMIRE. I would be glad to yield.

Senator CLARK. I would like for the record to show that the Clark bill is presently before the Manpower and Employment Subcommittee—

Mr. MEANY. Calls for \$1 billion.

Senator CLARK (continuing). Calls for \$1 billion.

Senator PROXMIRE. I was just trying to get an expert judgment to really do a job here we all recognize should be done.

Senator CLARK. I know you are, but I do not want our friends of the press to go out from this hearing saying that the Clark bill calls for \$5 billion.

Senator PROXMIRE. Mr. Meany, there is one other aspect of this Clark bill which concerns me very much, and that is, I have supported housing programs, urban renewal programs, and so forth, but I am just wondering if building police stations and fire stations and that kind of thing, if you draw the line anywhere on local responsibility; isn't this a peculiarly local job? If you are going to have the local government have any real responsibility for the community, should it not be here? Does not the Clark bill go a little too far in this particular direction?

Mr. MEANY. Well, I do not know. I think local communities need all of these things. These are all of the things that go into our standard of living.

Senator PROXMIRE. They need them.

Senator CLARK. Would the Senator yield?

Senator PROXMIRE. I will yield to the Senator in just a minute.

Mr. MEANY. Surely there is no boondoggling in the Clark bill.

Senator PROXMIRE. There is no boondoggling, but something like a police station or a fire station, the people in the local community themselves can decide whether or not they want to make the sacrifice in property taxes to build it. It is not essential for national defense. While it is something that could be considered part of the wealth of the country, it is just the kind of local decision that could be determined on the basis of local knowledge, and so forth, in a much better context, it seems to me, if they paid for the whole thing themselves.

Yes, I yield.

Senator CLARK. I call my colleague's attention to the fact that the Clark bill limits projects to be assisted by the Federal Government to those which are already on the drawing board—which means that in almost every instance, as I know as a former mayor, the projects will



have been approved by the city planning commission—which are ready to go under contract and which can be completed within 18 months.

Senator PROXMIRE. Approved and money not available.

Senator CLARK. Yes. You ought to see some of these fire stations we have to put out fires.

Senator PROXMIRE. You discussed this on "Meet the Press" on Sunday night. This is something that has gotten very little discussion. Very few people have been willing to consider this, and I recognize, as most people do, we want to have as much abundance in this country as we can, and we do not like to approach these problems from the standpoint of scarcity, but the fact is that one of the reasons why we have the kind of productive economic system we have now, and consumption as we have now, is that we did cut hours drastically in the twenties and thirties; the Fair Labor Standards Act worked.

Mr. MEANY. It is obvious to me, and this has been given a lot of thought and study by everyone on our side, but it is obvious to me that if this accentuated trend toward automation and technological improvement with displacement and greater and greater displacement all the time, if that continues, we have got to shorten the hours. I do not know of any other approach.

Senator PROXMIRE. You feel that any serious problem of people holding more than one job would then develop? We had testimony yesterday from Mr. Clague that it is not of serious proportions now.

There is a dispute on that, but he is a pretty authoritative official, and he feels that the problem of unemployment that has been caused by people holding more than two jobs is not now serious.

Do you think if we substantially reduced hours it might become so?

Mr. MEANY. It might, I do not know. It is something we have to look into. But it is quite obvious that we just cannot go on displacing human labor and expect to have the economy sustained. The economy has got to be sustained by purchasing power somewhere down the line, and when you get to the point where you do not need any human hands to produce the things that we can use, where do we get the money to buy those things? This is the basic problem.

Senator PROXMIRE. And you feel that this automation is not only in manufacturing but it is extending into clerical fields, and so forth?

Mr. MEANY. The effect of automation in the clerical field is much greater than in manufacturing, at least in my opinion, from my observation.

Senator PROXMIRE. You think it is going to be greater in the future?

Mr. MEANY. I have not any statistics on this, but the impact of it and the resulting displacement are greater in the so-called white-collar fields, even, than it is in manufacturing, and God knows it is great in those. It is great in farming.

Senator PROXMIRE. And it is enormous in farming.

Are there any further questions? Well, I want to thank you very, very much, Mr. Meany. This has been a very enlightening and helpful session to me, and I am sure it has been enlightening for the record. Thank you, sir.

Mr. MEANY. Thank you, Mr. Chairman.

Senator PROXMIRE. The committee will resume this afternoon at 2 o'clock, and it will hear from Mr. Emerson Schmidt representing the Chamber of Commerce of the United States.

(Whereupon, at 11:30 a.m. the subcommittee adjourned, to reconvene at 2 p.m. the same day.)

#### AFTERNOON SESSION

Senator PROXMIRE. The subcommittee will come to order.

Our witness this afternoon is Mr. Emerson P. Schmidt, manager, Economic Research Department, Chamber of Commerce of the United States of America.

Mr. Schmidt, welcome to the subcommittee. We are very happy to have you. I see you have a substantial statement here, and you can handle it any way you see fit.

#### STATEMENT OF EMERSON P. SCHMIDT, DIRECTOR OF ECONOMIC RESEARCH, CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA

Mr. SCHMIDT. Thank you, Mr. Chairman.

I am, in a way, glad to be here, and in another way I am not.

When I was asked to appear I immediately ran through my mind all of the hearings you people have been holding and those of other committees, the excellent staff reports, and I wondered whether this trip was really necessary.

The law of diminishing returns applies to hearings, I guess, as well as to any other activity, so if it is agreeable, I would have this statement in the record, and I will try to summarize it.

Senator PROXMIRE. Very good.

Mr. SCHMIDT. That will save a little of your time.

Senator PROXMIRE. Without objection, so ordered.

Mr. SCHMIDT. Referring to your first question, Mr. Chairman, we have no major fault to find with the statistics. I have served on the Business Research Advisory Council of the BLS since the beginning; I have served as its chairman for several years, and I have no question in my mind about the integrity of the BLS.

Obviously, there are minor matters that might be improved. Some people wonder whether we ought to include people from the age of 14 to 16 or 17 in the labor force. This is a throwback, I suppose, to the time when youngsters used to begin working that early and, perhaps, unemployment figures are accentuated because we do go down to the 14-year level; and there are other minor changes.

But we are not recommending that this change be made because you lose continuity of the historical series when you change the definitions over time.

It is unfortunate that our formula leads to a rather high figure compared to a lot of foreign nations. I understand if you applied our formula, say, to Sweden and some of the other European countries, their unemployment would rise by 200 or 300 percent.

So in terms of the foreign image, it is a little unfortunate that the formula does give you such a high figure, and you might give consideration to doing more to standardize international statistics col-

lection on labor force, employment and unemployment, the same as has been done in many other series.

If these methods were standardized internationally, then we would not have such an odious comparison of our high unemployment rate as compared to other countries.

We rely on personal interviews. In most countries they rely on people who register as unemployed, and maybe this puts our figure at a somewhat higher rate than would be the case.

But it is not our conclusion that any change along these lines would change the trends substantially. It might change the trends for particular months, but not quarter by quarter or year by year.

#### LARGE MOVEMENT IN AND OUT OF LABOR FORCE

There is, of course, a very large movement into and out of the labor force, and this complicates a little bit the method of estimating. For example, 1952, when, I think, this study was last published, 3.2 million persons left the labor force per month, and about 3.2 million entered the labor force per month, or a total of about 38 million per year, not excluding the duplicates.

So there is an enormous amount of churning around on the part of the American workers. Whether this throws any doubt on the method employed by the BLS or not, I am not sure. But we are, on the whole, reasonably well satisfied certainly with the integrity and with the methodology that is employed.

Turning to your second question, Mr. Chairman, the question of whether our apparently high unemployment is primarily structural or primarily due to inadequate demand, our conclusion is that there is really no very precise way of answering that question, and I have looked through the excellent paper prepared by Mr. Knowles and his colleagues, and Mr. Clague's testimony yesterday, and they seem to come out a little differently, but nothing very conclusively either way. I think we all would agree that if we had reasonably high level employment then most other types of unemployment would become less formidable and less stubborn. So this suggests the need for sustained prosperity. Also, of course, there is a good deal of structural shift in the economy; there always has been throughout our history, and unless people are willing to shift jobs, willing to shift geographically, there are bound to be periods when there will be unemployment.

On the question of adequate aggregate demand, I would like to say, first of all, there is no shortage of human needs. We have an affluent society only in the sense of our past or relative to other countries.

Human wants are insatiable, and most families could very effectively use more housing space or more and better furnishings and another car, or both, or more recreation or improved medical or dental care, and more expenditure for tourism, cultural activities, better education for children and parents. Certainly 90 percent of all the American families have a problem of allocating their limited resources to their unlimited wants and desires. So the notion of an affluent society is not correct.

What can we do to attain fuller employment? I think businessmen have a responsibility. They ought to be particularly sensitive to shifts in human tastes, and market analysts or advertising agencies and

others ought to be very active in trying to discern latent demands, so that production can be directed toward the areas in which more wants can be satisfied.

This, of course, has been going on all through our history on the part of American business, and all the services that are furnished to business and working for business, but perhaps it ought to be stepped up. I am sure there is a very considerable unsatiated demand for better values in services, in repair, in maintenance, in modernization of consumer capital, appliances, and so on.

The average typical home of, say, three or four bedrooms, will have anywhere from 15 to 25 electric motors. About 10 to 15 percent of those are out of repair all the time, and if the service industries were more effective and efficient in servicing this consumer capital, it would provide a lot of additional jobs.

But, instead of talking about aggregate demand, I would like to refer to two possible new sources of unemployment that have not, I think, been adequately studied by your committee in the last decade; in fact, they have been almost completely ignored.

I refer to them as Government policies which tend to check employment and the policies of labor unions.

For example, Mr. Heller, Chairman of the President's Council of Economic Advisers, has repeatedly raised the question of whether our income tax level is not so high that it may create an abortive recovery. We have had on several occasions substantial recovery from a recession, but not reaching full employment, and it was his view, at least several months ago, that perhaps, our taxload, tax-level, tax structure, is now so high that it tends to choke off at somewhat less than full employment the resurgence of the economy, and I would think that might bear looking into.

Furthermore, the tax rates are so high, both the personal rate and the corporate rate, that they must have some disincentive effect, and we would strongly recommend that this committee look into the possibility of reformation in the tax structure. When Uncle Sam is more than a 50-percent partner in corporate profits, this is bound to have a disincentive effect.

Furthermore, it means that a new project must, in advance, show a very high degree of profitability to justify the risk of the investment.

I think probably we rely too much on income taxation, and we probably ought to rely more on some type of excise taxation.

There is also a feeling among a good many economists that probably our profit rates have been too low to stimulate investment.

Profits have been declining rather drastically per dollar of sales, and as a share in the national income.

In the period from 1950 to 1960 net corporate profits showed no rise at all. In fact, if you allow for the depreciation of the dollar, they showed a decline. But in this same period, while profits were stagnant, compensation of employees rose by 91 percent, and the national income increased by 72 percent and GNP by 77 percent.

Even if you correct for accelerated depreciation, and the overstatement of profits due to the higher replacement costs, the profit picture is not one to inspire bold new ventures or new products, and particularly where there are risks involved.

Furthermore, the average age of our productive equipment is on the high side, higher than in Germany and higher than in many other countries. It has been estimated to be about 15 years. Well, how good is a 15-year-old automobile? I think this applies equally to the productive equipment in American industry.

We think that if we had a freer depreciation policy where the business executive would largely be allowed to write off as rapidly as he wants to, that there would be a great incentive to increase the investment in order to improve productivity and to encourage new ventures in entirely new lines.

#### KUZNETS STUDY

Perhaps the most persuasive analysis of the evidence of our undercapitalization has come to the public's attention just this past week, when the new volume by Dr. Simon Kuznets on "Capital in the American Economy: Its Formation and Financing," was released.

Dr. Kuznets is one of the most respected economists in the United States. According to his study, in the 1870's and 1880's, 13 percent of the national income was devoted to adding to the country's stock of capital, not including that spent for mere replacement of capital, but in the period 1930 to 1960, only about 5 percent of our income was transformed into added capital.

In spite of our rising personal incomes, the ratio of personal savings to national product has also been declining and he is convinced that the new investment opportunities have far outpaced the rate of savings.

Coming from a man with the stature of Dr. Kuznets, I think this has to be given some consideration.

Coming back again to this question of aggregate demand, I think there has been a certain amount of damage done by the excessive emphasis on the Keynesian approach to aggregate demand. It is a kind of a cliché; the aggregate demand approach is tautology. You have to have total adequate demand in order to have full employment.

The classic economists always assumed this, but I think there is a gap here. So the remainder of what I have to say deals with three types of additional unemployment.

In that study, prepared by the BLS for you, the authors listed some three or four dozen different types of unemployment, not only frictional, recessional and structural, but hard-core unemployment, short-run, transitional, I think about 4 dozen terms.

Well, I am adding three more: (1) Legislative unemployment, (2) administrative unemployment, and (3) union-generated unemployment.

Turning to the first one, I think we all would agree it is of utmost importance that we have a favorable jobmaking plan in the economy, and this deals with the political, economic, and social pressures, a matter which we discussed in a little pamphlet some time ago, "Getting and Holding Good Employers."

I just noticed a recent survey by a group of university scholars in the Middle West, which found in the case of one particular State that 40 percent of the manufacturing employers in a particular group would not locate again in that particular State.

The investor or businessman certainly has no right to have preferred treatment. But if we want him to do his job of creating jobs through more investment, innovation, and planning ahead, we have to create the kind of a climate which would encourage him to do that.

Senator PROXMIRE. Could I ask if you can give the reference to that particular study?

Mr. SCHMIDT. Pardon?

Senator PROXMIRE. That study which shows the State in which 40 percent of the employers would not locate in that State again, do you give the reference in your regular presentation? Is it available?

Mr. SCHMIDT. I did not mention the particular State.

Senator PROXMIRE. No; I am not asking for the State; I am asking for the study. What is the source?

Mr. SCHMIDT. It was done at the University of Michigan, and I do not have the actual citation here, but I can phone it in to Jim Knowles or to your reporter.

Senator PROXMIRE. Very well, we will take it up later.

Mr. SCHMIDT. It only came out about 2 weeks ago. I would rather not mention the State.

[Study was by Dr. E. L. Mueller of the University of Michigan, Ann Arbor, Dec. 4, 1961.]

Now, many of these essentials which are so important in creating this jobmaking climate have been whittled away and put in jeopardy. To me personally it has been somewhat shocking to hear over the radio in the last few weeks right here in Washington the solicitation for new businessmen to open up businesses in which one of the major selling points was that "and you will need no employees in running this new venture."

To me, this is just a little shocking.

The Wagner Act, of course, was, as everybody now admits, extremely biased, and a very serious anti-jobmaking orientation, and when the war broke out we still had 8 or 10 million unemployed. Even the President of the United States at that time, on repeated occasions, admitted it ought to be balanced out. Well, it has been balanced a little bit, but by no means completely.

Or, take the matter again, referring still to the legislative unemployment. It is very hard for me to understand how any thinking person concerned with unemployment could support minimum-wage legislation which will bar workers from jobs unless they can find an employer who is able and willing to pay a certain minimum wage.

It is hard for me to see how similarly, minimum wages could be raised during a recession as the Congress did this year. To raise minimum wage rates, inevitably tends to pressure up those wages which are also above the minimum, because wage differentials are highly prized by the workers themselves, and are essential in allocating skills efficiently.

This obviously tends to create disemployment. In fact, a number of union contracts have provided that if Congress raises the minimum, the union contract minimums, as well as contract wages above the minimum, be raised proportionately.

The Governor of New York pointed to a case a few years ago when a new State minimum went into effect applying to 150,000 workers. But he said it actually lifted the wages of 450,000 who were slightly above the minimum.

There is a great deal of evidence on that. It is the kind of thing that is not too easy to prove, but the logic is all on the side if you have an unused factor of production, and you raise its price, you are very likely to create more unuse or more disemployment, and these minimums have their impact not just on the minimum but at all levels or most levels above the minimum.

The problem of compliance is enormous, particularly for the small businessman, and I know of quite a number of cases where small businessmen have turned down Government work simply because of large volumes that they have to plow through in order to comply with these requirements under FHA, VA, Walsh-Healey, Davis-Bacon, and all of the other controlling laws.

Now, labor has been declared by law to be a noncommodity, but its services operate under the constraints of the forces of supply and demand just the same. There is no escaping that.

Senator Douglas has said:

As has been stated, the curve of the diminishing increments attributable to labor seems to be so elastic that if wages are pushed up above marginal productivity, there is a tendency for the employed workers to be laid off at approximately three times the rate at which wages are increased. (From "Controlling Depressions.")

Any group like yours, it seems to me, would have to give some serious consideration to what Senator Douglas said when he was still a professor.

The great deficiency that I find in most of the hearings and most of the studies is that the question of the cost of labor, the cost of this input is never even examined or looked into.

If a worker worked for himself with his own hands, let us say, picking berries or picking bundles of wood or rare gems, we would see automatically that it is the value of what he produces that imputes the value back to the labor. Just because we have a complicated society, the fundamental constraints, the fundamental forces of the law of supply and demand, do not operate any differently.

So whenever you push the wage by any technique above the rate that clears the market, I am talking about long run, not cyclical, you are bound to create some unemployment, and it is really a little surprising to me that the rather excellent papers that have been prepared for this committee by outsiders have paid so little attention to the possibility that you can price workers out of the market just as you certainly can price goods out of the market, and services, and so on.

On top of all this legislative unemployment—and I am only giving a few examples—we have administrative or administered unemployment. These laws are not self-executing. You have to create a bureau, and these bureaus are very busy creating rules and regulations, and they are exceedingly complicated, and they mean that anyone who wants to live within the law has to know what the law requires, and there are scores of cases where there is great confusion and uncertainty. In fact, several Members of the House have been having sessions with the Wage and Hour Bureau over the administration of the new minimum wage law passed this year by Congress, and they were actually appalled at some of the rulings and regulations.

So a good deal of this unemployment conceivably is generated by high minimum requirements, by administrative rulings, that are really not necessary.

Finally, I mention the union-generated unemployment. There is a dichotomy in the views of economists as to whether they generate unemployment or whether they do not.

I think most economists would say that to some extent they do when they overprice their labor services, and particularly when the unions are aggressive in bargaining and are willing and ready to back up that aggression with force and violence and coercion; it is bound to mean that the employer will try to minimize the use of that kind of labor.

If you look at the figures of unemployment in the 1930's, you will find that the wage increases were enormous. In 1934 manufacturing wages increased by 20 percent; in 1937 they increased by 12 percent; and, as I said a moment ago, when the war broke out we still had 8 or 10 million unemployed.

Now, I cannot help but believe that if we are concerned with unemployment we ought to examine the wage rate at which labor is willing to work.

Furthermore, the tremendous increase in the market power of workers has gotten to the point where I do not think the Congress knows what to do with this power that has been built up through the Wagner Act and various other acts.

When Mr. Kennedy made his speech to the businessmen in New York a few weeks ago, he urged them to engage in price restraint which, I think, incidentally, is bad advice. I think the market, the competition, ought to force restraint on businessmen, and he promised that the next day he would give similar tough advice to the AFL-CIO convention in Miami.

But he mentioned it casually, and he did not really carry through this plan. The New York Times in a front-page headline said that, "Labor Spurns Kennedy Bid for Restraint in Bargaining," "Goldberg Finds Plenty of Room for Bargaining," and these two statements in the headlines on the front page of the New York Times were on the 9th and 13th of December.

After the President spoke, Mr. Hoffa said that he was not going to have any part of any kind of wage freeze, and he objected very strenuously to having the Secretary of Labor sticking his nose into his affairs, and he said that the Secretary "has no right to come down here and tell labor how to bargain."

Now, the Secretary of Labor has, of course, already opened the door for new and higher wage settlements, and the concern of all of us, I think, in this respect runs in terms of inflation and of unemployment and, more particularly, the international balance-of-payments situation which we face.

I personally think we are on the edge of forcing you people into the adoption of a national wage policy which, I think, would be a great tragedy in terms of a viable, flexible, dynamic economy where you need lots of give and take, and lots of elbow room rather than wagemaking by—

Senator PROXMIRE. I am sorry, I missed that. You say we are on the edge of forcing a national wage policy?

Mr. SCHMIDT. You are on the edge of being forced, you are—  
Senator PROXMIRE. Being forced, I see.



Mr. SCHMIDT. Because of the constraints that have been operating on our economy we have the balance of payments problem, and the growth of the Common Market and the growing competition, and on our fabulous commitments abroad. We will probably be asked to do all the repairing in Katanga, and so on down the line, the Alliance for Progress, so our foreign commitments instead of declining are likely to rise unless we can somehow bargain with the Europeans, and Japan, to pick up the tab for more of the foreign aid and military aid.

Now, this is a very important point, and it is well known, that the participants in making history, perhaps, most often do not know what history they are making. The classic example, of course, is the appeasement policy followed by the British Prime Minister in the late 1930's. He did not know what history he was making.

The sponsors of the Wagner Act is another case of that kind. I think this was one of the most revolutionary and damaging acts ever passed by the Congress to this day, and very few leaders or Congressmen have discerned this fact as yet, and I think most of them would be rather shocked to even hear such a statement being made, but I can assure you they are going to discover it, if you have not done so.

But it is unfortunate that it may take a catastrophe or a near catastrophe to make us realize what is really happening to our economy and where the remedies lie.

#### GROWTH IN NONUNION SECTORS

We have a rather interesting table in my prepared statement, based on charts which we picked out of the London Economist. In a series of charts it showed that in the mainly unorganized sectors of our economy from 1945 to 1960, the growth in employment was 12 million, but in the mainly organized the growth was less than 1 million.

Now, if you look at 1955 to 1960, you will find, in a sense, even a worse situation. We had a growth in the mainly unorganized, ununionized, of nearly 4 million added jobs, but in the mainly organized you had a decline, an actual decline, of 1 million.

Now, the Economist drew no conclusions, and we certainly do not draw any obvious conclusions, but this is a very significant differential, and it may have some relevance to the oversimplified dichotomy of structural versus aggregate demand, because it appears that there is some relationship here, although I think no one would even suggest that the major cause of this differential in growth is due to the union factor. There are many other factors behind this.

Nor should this be interpreted as antilabor. After all, we are all workers, we are all laborers, and not antiunion. But the problem is to reduce force and coercion and violence, because they are the ultimate weapons of the unions, and not the strike as union leaders often claim.

But if these primitive weapons were removed, collective bargaining would cease largely to be any serious problem to the administration or to the Congress or to the country.

Furthermore, these problems are not confined to this country. In Europe, however, most of the countries have a natural discipline on price restraints and on wage restraints. When Gunnar Myrdal was here in 1945, I asked him about this: "Is it true that when the top union official in Sweden comes from an exporting industry there is

general rejoicing in Sweden?" And he said, "I am most emphatic that is the case, because then that acts as a kind of constraint or restraint on the labor demands."

Now, we do not have any natural restraint of that kind. Nevertheless, the Europeans are very much concerned about the problem.

A few years ago the OEEC asked a group of very distinguished economists to look into this question of rising prices and wage pressures, and so on. All of the members of this group of distinguished economists were agreed that excessive wage increases secured through negotiation have been a significant factor in the upward movement of prices and, incidentally, this report places no faith in public exhortation as a wage policy.

The majority agreed that stabilization authorities must have a wage policy but, fortunately, a minority made up of two people who spend a good deal of time in the United States, did not agree with this.

All the members of this distinguished group agreed that business monopoly and administered prices and monopoly in goods markets were not significant factors in the wage-price spiral, a conclusion which we reached in our own earlier studies. This, however, is no argument for monopoly or for price fixing.

But the two dissenters from the idea of a national wage policy that is, Fellner and Lutz, concluded that whenever the "bargaining attitude" creates a lasting conflict between key policy goals, "the solution must run in terms of cutting down the size and functions of the organizational units on both sides of the bargaining table."

Now, the dispersal and diffusion of undue power is in the longrun tradition of American history, and I think personally the dissenters make a lot of sense; but the majority makes nonsense, and are delivering us into a national wage policy, which means a dictated policy from some central government.

These dissenting views run substantially in harmony with our conclusions, as expressed in a couple of pamphlets we put out previously, "Inflation, Union and Wage Policy," and a year later, "Productivity and Wage Settlements," and if you are doubtful about this conclusion, I would suggest that you read a very interesting article by Peter Wiles in *Encounter*, a London magazine, September 1956, entitled "Are Trade Unions Necessary?"

Now, he recognizes their usefulness but in the economic field he regards them as not being useful in a full employment society, and raises the right questions in terms of productivity improvement and spreading the gains of productivity, and so on. The great problem we face today is the reconciliation of the low unemployment and adequate economic growth and reasonable price stability, and the value of the dollar, including, of course, the international balance of payments, and all under freedom.

As I said a moment ago, the United States is drifting now toward a position of a government-coerced national wage policy. The pressures of inflation and, particularly, the international imbalance of payments, together, are forcing us in this direction; and, as the incompatibility of the unlimited market power in the hands of union officials and low unemployment, and the integrity of the dollar is made clear by unfolding of events, the drift toward government coercion will be furthered.

Now, there is another way around this, as I will notice in a moment.

The British have faced this problem very seriously since the end of the war. They have had a pound crisis, just as we now have a dollar crisis, about every 2 years since the end of World War II. Whenever they were in crisis they had to restrain the monetary, credit expansion, and this tended to create slow growth.

They finally set up what came to be called a council of three wise men. It published a report opposing unanimously having the Government set any kind of national target for bargaining on the ground that any such target setting will become a minimum, and then the bargaining will be all above the minimum, and the council said there would thus be a real danger that the prescribed average would always become a minimum, and the process of wage inflation, therefore, built into the system.

This is apart from the point also made by the council that such a procedure seems to involve too definite an endorsement of the doctrine that in a progressive community the general level of prices should never be permitted or encouraged to fall as an alternative to a rise in money income.

Similarly we come to the conclusion that we ought to rely primarily on market forces.

Dr. Winfield Riefler, one of the most respected economists in this country, formerly with the Board of Governors of the Federal Reserve, said that he would hope that we would so work our economy that the gains from productivity would be shared in three ways (1) in the direction of wage and incomes advanced to the working force to encourage mobility and the ready availability of needed skills and talents at points of innovation; in other words, wherever you need more labor you raise the wage scale.

(2) In the direction of lower prices promotive of broader and expanded markets for those end products where productivity has lowered real costs; and, (3) in the direction of sufficient profit encouragement to those who innovate successfully and stimulate initiative in management-planning for growth. In other words, he says:

I would favor a situation where the efficiencies of growth were reflected in falling, not rising, unit costs.

Now, this is clearly a plea for making the market function effectively in the broad general interest, and letting the market forces distribute the gains of productivity among all groups and sectors of the economy. The New York Times in an editorial after the 116-day steel strike in 1959 took exactly the same position in saying:

It should be left to competition and the price system to determine how the income flowing from the process of turning raw materials into finished goods should be distributed.

And many other economists have argued in this same direction. But union monopoly and compulsory unionism, and the use of force, violence, and coercion must be eliminated if genuine and balanced collective bargaining, based on discussion and persuasion, is to be restored.

The renunciation of the use of force is not unknown by labor leaders. I happened to write my Ph. D. thesis on the streetcar workers union, and got well acquainted with the head of the union who was president for nearly 40 years or more, William D. Mahon, and he took the posi-

tion that under no circumstances should a local union strike in the streetcar industry. They always had to rely on voluntary arbitrations. If a local union struck he would throw it out of the international union, so there are precedents for this kind of approach.

So, in conclusion, without minimizing the key importance of proper monetary and fiscal policy to help maintain sustained prosperity or adequate aggregate demand, as the chairman's phrase is, a question may be raised as to whether any general wage increase should be granted by any employer as a result of collective bargaining in a competitive and dynamic economy except when such an increase is necessary to hold and recruit an adequate supply of individual workers for the establishment.

If an employer has difficulty in securing enough manpower, this suggests the wage rate is inadequate. If he has more applicants for jobs than the openings available or has no difficulty in securing adequate help, this suggests that his offering rates are adequate or, perhaps, even more than adequate.

To insure proper wage and salary administration, an individual establishment should make allowance for individual improvements, for improved skill in the performance of the individual work. Perhaps once in a while wage adjustments might be made to maintain morale and reduce turnover, and so on.

But if we could move in this direction, certainly this is no easy task considering the enormous buildup of monopoly union power, if we could move in the direction of letting the market be the guide or more nearly letting the market be the guide, this would go a long way to increase purchasing power because, by holding down prices, even having many prices fall, not only would the workers who are inside unions but all other workers, and retired people, people living on fixed incomes, have added real purchasing power.

To argue that wage rates should go up in order to increase purchasing power is only one part of the story. There are a lot of people left outside of the wage structure whose purchasing power also should be increased, and by having general policies to encourage slowly falling prices, it could be a half percent a year in the aggregate or three-quarters of a percent, then the gains, the technological gains, in our economy would be shared by the retired folks and people living on fixed incomes, and the total purchasing power of the economy would actually be enlarged.

I know this is something which has been only hinted at a few times in your many hearings, and I know it is so contrary to most people's thinking, but it is my conclusion that we are either going to do this voluntarily or you, as Members of a responsible legislative body, are going to be forced into the adoption of a compulsory wage policy in the United States. I just do not think this is in keeping with our traditions of freedom, and we ought to look ahead and see what these unfolding events mean.

So, in conclusion, I simply point out that in addition to this question of aggregate demand and structural unemployment, and so on, we ought to take a look at legislated unemployment, we ought to look at administrative unemployment, we ought to look at union-generated unemployment.

The idea of the Government setting a target for annual wage increases is fraught with inflationary dangers, furthering the balance-of-payments difficulties, and is in basic conflict with the requirements of a dynamic changing economy.

The Government should examine its own responsibility in the unemployment picture, and unless Government takes prompt steps to reduce the undue market power of union officials, we will unwillingly and unwittingly be driven into authoritarian action.

This is a problem not for the next decade, it is now at our doorstep. If there ever was a time when management should resist uneconomic wage demands in the national interest, the time is now.

I realize, Mr. Chairman, this is controversial stuff, and I am sure you won't agree with my conclusions, but I have been working a good deal on the balance of payments problem, and I think it is far more serious than most people realize.

I was very glad to see Congressman Reuss of your committee hold hearings on the balance of payments a few weeks ago, in which some very excellent information and insights were developed both from the working papers as well as in the hearings.

Thank you.

(The prepared statement of Mr. Schmidt is as follows:)

TESTIMONY OF EMERSON P. SCHMIDT, DIRECTOR OF ECONOMIC RESEARCH FOR THE CHAMBER OF COMMERCE OF THE UNITED STATES OF AMERICA, ON EMPLOYMENT AND UNEMPLOYMENT

While the concern with unemployment as evidenced by these hearings is most commendable and your invitation is appreciated, upon receiving the request I immediately raised the question whether in the light of your very extensive hearings, staff and special studies and reports on this problem in recent years and a dozen other committees and subcommittees, the subject had not been exhausted.

The law of diminishing returns applies to hearings just as it does in other endeavors. "Is this trip necessary?" I pleaded that I had no new revelations to unfold before you. Nevertheless, I was strongly urged to participate.

Only with careful thought did I agree to do so, after concluding that there may be certain labor-cost angles which had been understressed and, indeed, most frequently completely neglected. Perhaps I can fill a gap here. If not, then my trip here is indeed unnecessary.

The chairman in his announcement of these hearings raised three questions on December 8:

(1) Are our statistics on employment and unemployment adequate to the Nation's needs in concept, coverage, consistency, accuracy, and amount of detail? Are there legitimate criticisms which call for remedial action, and, if so, what are they?

(2) Has the exceptionally high rate of unemployment, which has equaled or exceeded 5 percent since November 1957, been the result largely of structural changes which will make it a slow and difficult task to reduce unemployment to, say, 4 percent, or has the persistence of this high rate of unemployment been the result of inadequate aggregate demand?

(3) What are the implications of the answers to the first two questions for the choice of policies, public and private, over the coming year or two?

THE STATISTICS

Statistics, including time series such as those on labor force, employment, and unemployment, are rarely adequate, completely accurate, or pleasing to those who like to employ them in a self-serving capacity. Broadly, it is doubtful that any scientific changes in our methods of estimating (not counting) the labor force, employment, and unemployment would result in any large change in the monthly reports and particularly quarterly or annual trends, up and down.

From the standpoint of our international image, it is unfortunate that our formula for estimating the unemployed leads to a figure which is two or three times as high as would be the case if we used the methods commonly employed throughout most of the rest of the world. Experiments show, for example, that if Sweden used our method its reported unemployment would be two or three times as high as now regularly reported there. While members of this committee and labor market experts know this, it is largely ignored (or submerged in 6-point footnotes) by others; our press generally ignores it, and the foreign press, particularly in the totalitarian countries, ignores it completely and capitalizes upon it.

Perhaps this subcommittee should make a recommendation in regard to harmonizing international statistics, just as standardization has been done in many other fields. This is recommended for your consideration when issuing your report next month.

Foreign countries rely largely on registered unemployment; we rely on personal interviews, on a small sample basis. Furthermore, there is considerable month-to-month discrepancy between reported unemployment and individuals drawing unemployment benefits; there may be legitimate reasons for such contrary month-to-month shifts, but as a minimum, they raise a question about the accuracy of the census estimates.

Perhaps more important, by relying so heavily on personal interviews it seems inevitable that the tone of voice, the inflection, and the general demeanor of the interviewer can lead to error in counting. When there is much unemployment in the news or in a particular area this may be reflected in the tenor and nature of the interview and the results thereof. We do not know what mixture of fact, whim, and feelings may be reported when an individual is counted as "seeking a job." Perhaps this merits further examination.

Experts know that the voluntary movement into and out of the labor force is enormous. We have a very large number of individuals who have a tenuous, and others an episodic, attachment to the labor force. This in itself may raise serious question whether the personal interview method can fully measure attachment to the labor force in a meaningful way and, therefore, measure unemployment. For example:

"It is not generally realized that (at the last count, 1952) some 3.2 million persons left the labor force per month, and about 3.2 million entered the labor force per month, a total of about 38 million per year. Nearly all of these leave and enter the labor force voluntarily (average civilian labor force in 1952 was 6.3 million). The figures do not allow for duplicates (that is, a person leaving and entering the labor force several times within a year). Thus, a much larger number of people than is commonly assumed do not want year-round continuity of earned income or jobs. This movement complicates the problem of measuring accurately both employment and unemployment." (Quoted from "Automation and Unemployment," Chamber of Commerce of the United States, 1961.)

Whether these questions justify abandonment of our present method of estimating unemployment, or supplementing it with a method which would discriminate effectively between fact on the one hand and wishes, whims, and feelings on the other, should receive attention.

#### STRUCTURAL VERSUS INADEQUATE DEMAND UNEMPLOYMENT

Turning to the second question as to the relative importance of structural shifts and structural unemployment versus the adequacy of total aggregative demand, no precise answer is possible. Indeed, this may not be the right question to ask, as shown below.

Close students seem to agree that during general prosperity when there is no recessionary unemployment, other types of unemployment are much less stubborn and formidable, including seasonal, frictional, and structural, including that due to shifts in demand, shifts in technology, mechanization, and automation, and the several dozen other terms identified in "Unemployment: Terminology, Measurement, and Analysis" (Joint Economic Committee, 1961).

The boundary between these different types of unemployment as a due cause are not clear cut. For example, if jobs in general are relatively abundant, layoffs or inability to find work generally do not tend to become a cumulative problem. This is especially true if we are willing to place a reasonable amount of the task of structural shifts in the economy upon the worker himself to move, to learn a new skill, to upgrade himself as an individual in terms of skill, adaptability, and personality behavior characteristics. There are, of course, marginal workers, unemployables, etc.

Unquestionably, a good deal of the current and recent structural unemployment in coal mining and steel is more or less permanent, unless maximum reliance is placed on geographic and occupational mobility. With high levels of general prosperity, and confidence that it will be reasonably well maintained, greater mobility would automatically take place without tax-supported Government effort. Both public and private employment exchanges are utilized to facilitate this mobility.

Thus it would seem that the attainment of high levels of economic activity is still the best approach; if then workers are unwilling to take advantage of new opportunities and general economic expansion at free market-determined wages, we will know where the responsibility lies.

#### ADEQUATE AGGREGATE DEMAND

If the problem of adequate total demand—consumption, tax costs, and business expenditures—has been growing in recent years, we should search for the cause.

There is no shortage of human needs. We have an affluent society only relative to earlier times and other countries. Human wants are insatiable, unlimited—even though specific wants may be satiated. The goal or target of better living keeps moving higher for everyone, with the possible exception of the very few with spendable incomes in six figures and upward. Most families could use effectively more housing space, more and better furnishings, another car, a boat, more recreation, improved medical and dental care, and more expenditures for tourism and cultural activities, better education for parents and children. Some 90 percent of all families and single households have an allocative problem, a problem of choices in order to make their current income cover their varied and growing wants. In short, there is no problem of general satiation of wants, in spite of the flippant and irresponsible talk of affluence in our society. The problem must be elsewhere.

Possibly a part of the responsibility rests with businessmen, particularly market analysts, advertising experts, and others who should be in the business of discerning latent wants and then producing goods and services to meet them; much, of course, is going in our business system along these lines, but looking back 10 years from now, we will see that on many fronts what was nothing but a dream or a gleam in the eye has become reality. The potential demand for better values in services, repair, maintenance, and modernization of consumer capital is enormous. This suggests unlimited opportunities for investment and jobs ahead—if there are no roadblocks to the enterprising innovator.

There may be two roadblocks worth looking into: Government policies and the positions of union officials. Let us look at these two.

The Chairman of the President's Council of Economic Advisers has, on a number of occasions, raised the question whether our income tax system or our total tax burden is compatible with the attainment of full recovery from recession. As recovery takes place, individual incomes rise, as do corporate profits. As these rise, the government tax take (State and National and to some extent local) withdraws a rising share of the improvement. Because of the high marginal tax rates the incentive for more effort is impaired; the funds for private investment and risk taking are relatively diminished. When Uncle Sam is more than a 50 percent claimant in corporate profits the funds available for new investments are diminished. New ventures, furthermore, to be justified, must show in advance very considerable promise of success. How the present high corporate tax rates slows down investment has been demonstrated to the satisfaction of most experts by the researches of the Machinery & Allied Products Institute, particularly George Terborgh's "Effect of Corporate Income Tax on Investment." Even though the corporate tax rate is substantially shifted, the adverse effect on new investment, employment, and jobmaking is clear.

We rely too heavily on income taxation, perhaps more so than any other industrialized country. It is not without significance that the U.S.S.R. has largely abolished direct taxation and plans to abolish all of it, according to numerous announcements.

Profits have remained stagnant for the last decade; this may account for part of our unemployment. Profits have been declining drastically per dollar of sales and as a share in the national income. In the great economic expansion from 1950 to 1960, net corporate profits showed no rise at all; in this same period, compensation of employees rose by 91 percent, national income increased by 72 percent, and GNP by 77 percent. Even after correcting for accelerated depreciation and the overstatement of profits due to the higher replacement costs,

the profits picture is not one to inspire bold new ventures, new products, etc., particularly where risk and uncertainty are involved.

Furthermore, our industrial equipment has an average age of 15 years—much of it much older. How valuable is a 15-year-old automobile? Everywhere capacity is adequate, much of it is relatively high-cost capacity.

Depreciation policies of our Government are perhaps the most rigid and backward among all the industrialized countries. While the 1954 revenue reforms made improvements, we still lag. If so, then Government may be a key culprit in fathering the unemployment problem.

An income tax is a tax or penalty on effort, performance, and success. Excise taxation is levied upon goods and services; it too may reduce output, but its impact on the individual, as he weighs his situation, carries a lesser psychological burden of disincentives.

Perhaps the most persuasive analysis and evidence of our undercapitalization has just come from the gifted research of Dr. Simon Kuznets, in his seventh and final report, entitled "Capital in the American Economy: Its Formation and Financing" (National Bureau of Economic Research, Princeton University Press, New Jersey). According to the announcements, this study shows that in the 1870's and 1880's, 13 percent of the national income was devoted to adding to the country's stock of capital, not including that spent for mere replacements of capital. In the period 1930-60, only about 5 percent of our income was transformed into added capital. In spite of our rising personal income, the ratio of personal savings to national product has been declining; for example, from 5.3 percent in 1939-41 to 4.8 percent in 1948-57.

Our high consumption economy, the highest in the world, plus the enormous absorption of income by governments and a bad tax structure are apparently reducing the funds available for investment in the private sector. Dr. Kuznets concludes that our problem is not any inherent economic stagnation or the drying up of investment opportunities. In fact, he concludes that the outlets for capital uses has multiplied faster than the rate at which current national production is saved and channeled into replacements and additions to the capital stock. Dr. Kuznets is one of the most highly respected economists in the world. His findings should be given great weight. While he is concerned with longrun trends, he is not beguiled by the apparent shortrun "excess capacity" which is always apparent during periods of recession, just as excess labor is evident at such times.

#### AGGREGATE DEMAND, AGAIN

The preoccupation of economists and policymakers in the last 25 years with macroeconomics and aggregate demand has done serious damage to our thinking and policy recommendations, including legislation. Actually, the aggregate demand approach is a tautology. The classical economists, in fact nearly all economists, right down to the mid-1930's, assumed that if we had enough flexibility in the price structure (wages are, of course, prices), the tendency toward full employment was pervasive; the more recent emphasis on the essentiality of appropriate monetary, credit, and fiscal policies, added to the classical tradition, would probably go all the way toward solving the unemployment problem. Fortunately, a number of economists are now backing away from the excessive emphasis on aggregate demand.

But the damage and danger of aggregate demand analysis has taken several forms. It has neglected the key role played by a favorable investment and jobmaking climate and by the failure to recognize adequately that while labor is declared by law to be a noncommodity, the services of labor are, nevertheless, as much subject to the classical laws of demand and supply as are goods. Consequently, we need to add three more descriptive terms to the several dozen terms or titles or types of unemployment as reported in "Unemployment: Termonology, Measurement, and Analysis," appendix I, pages 15-23. These three are: (1) Legislative unemployment, (2) administrative unemployment, and (3) union-generated unemployment.

The importance of a favorable job-making economic, political, and social climate needs emphasis. We outlined its nature in "Getting and Holding Good Employers." A recent survey by a group of university scholars in the Middle West found that in the case of one particular State, 40 percent of the manufacturing employers in one group would not again locate in that State.

The investor or the businessman has no moral, political, or economic right to request preferred treatment; but if he is to do a job in the interests of workers and all citizens, he must be provided with constitutional stability and continuity.



He must have adequate protection of the law to protect life, limb, and property. He must expect fair tax treatment and he must know that under no circumstances will governments tolerate force, coercion, or violence on the part of private groups.

Many of these essentials for jobmaking have been whittled away and put in jeopardy. It is somewhat shocking, for example, to hear over the radio the solicitation of new entrepreneurs to open up businesses in which one of the major selling points is "and you will need no employees in running this new venture."

The Wagner Act of 1935 was so antijobmaking that we found that at the beginning of World War II we still had 8 to 10 million unemployed, and even the President of the United States at that time, on repeated occasions, acknowledged the need for balancing the law.

It is hard to understand how any thinking person, concerned with unemployment, could support minimum wage legislation which will bar workers from jobs unless they can find an employer who is able and willing to pay the minimum. It is hard to see how, similarly, the minimum wage could be raised during a recession, as the Congress did again in 1961.

Raised minimum wage rates inevitably tend to pressure upward those wages which are above the minimum, because wage differentials are highly prized by workers themselves and are essential in allocating skills most efficiently. This tends to create disemployment. Many union contracts have provided that if Congress raises the minimum, the union contract minimums as well as contract wages above the minimum be raised proportionately.

The Governor of New York pointed to a case where a new State minimum applying to 150,000 workers lifted the wages automatically of another 450,000. The evidence is overwhelming but cannot be repeated here. (For the evidence see testimony of E. P. Schmidt, Special Subcommittee on Labor of House Committee on Education and Labor, Feb. 20, 1961.) John Davenport in an article in *Fortune*, November 1961, assembled the analysis and much of the evidence on the disemployment effects of minimum wage legislation including that of the Walsh-Healey and the Davis-Bacon laws.

In the latter two cases, obviously if a Government supplier or public contractor is subjected to minimum wage determinations, these minimums cannot be confined to those particular workers employed on Government work; for morale reasons alone such increases have to be spread on to others working under the same roof or engaged in similar work.

Why should this country require three different minimum wage laws? Why the extra expense of administration and the extra burden on the employer? Many small businesses are forced to refuse Government work because they cannot work through the rules, understand them, comply with them and meet the extra costs involved under Government-imposed conditions. The compliance burden is enormous; recently a Congressman has had extensive conferences, etc., with the enforcement agencies of Government; evidently the law is unclear as to coverage, and numerous other matters. Employers as well as enforcement officers are at sea.

The argument that raising minimum wage creates purchasing power is at best a half truth. Dr. George J. Stigler, of the University of Chicago, has said that if there is any one thing on which economists should be agreed it is that a minimum wage law will not help the low-paid worker. It helps to price him out of the labor market.

While labor is not a commodity, its services operate under the constraints of the forces of supply and demand. Senator Douglas in his book "Controlling Depressions" said:

"As has been stated, the curve of the diminishing increments attributable to labor seems to be so elastic that if wages are pushed up above marginal productivity there is a tendency for the employed workers to be laid off at approximately three times the rate at which wages are increased."

Senator Douglas then went on to say:

"Labor \* \* \* tends in the long run to lose appreciably more through diminished employment when it raises its wages above marginal productivity than it gains from the higher rate per hour enjoyed by those who are employed. The converse of this is that when wages are thus above the margin, a reduction in the wage rate will help labor as a whole and increase the total amount paid out in wages by causing appreciably larger increases in the numbers employed, and hence a decrease in the volume of unemployment."

Surely any congressional committee concerned with unemployment cannot ignore these words. Furthermore, they ought to serve as a warning that the problem is not just structural versus aggregate demand unemployment. The concept of "legislated unemployment" merits looking into.

If a worker worked for himself, only with his hands (say, picking berries or collecting bundles of wood or rare stones) it would be easy to understand that his reward would be solely dependent on the market price of the product; just because he works with tools, and other resources provided by others, does not set aside the basic forces which govern his economic worth to an employer. Any force which drives his wage above the free market rate must have a tendency toward disemployment, unless loose fiscal and monetary policy provides the financial liquidity to make such above-market payments possible. Then of course his higher wage is whittled away by rising prices.

The administration of the laws and their numerous amendments, helps further to create what we might call administrative unemployment. The pressure for mechanization and automation, including a good deal of structural unemployment, are traceable to economic forces, but in addition, many of our laws and their administration are making it progressively more and more troublesome, onerous, and costly to employ human beings, so that here we have an added impetus toward disemployment—in some cases hard core and in others distressed area and in others, mechanization, automation, and so on.

The enormous market power of union officials, together with grossly inadequate enforcement of the law against violence, coercion, and compulsion involving other workers as well as employers, puts a high premium on disemployment. Thus we need to add an additional type of unemployment to the list; namely "union-generated unemployment."

In his letter to 12 steel company presidents in the autumn of 1961, the President of the United States urged no price increases (even though steel prices had not risen since 1957 or 1958 and wages and fringes increased every year), and promised that in Steel Union bargaining in 1962, he would be equally persistent in demanding wage cost restraint. Will he follow up on this promise? Subsequent events are not reassuring. For example, the Auto Workers' president claimed a few weeks later (October 1961) that he had won the biggest economic package from the auto industry in history. But is anyone aware of any effort by the administration to restrain this union-generated cost rise?

On December 6, the President addressed a group of businessmen in New York and set forth in straightforward fashion some of the potentially seriously damaging crises ahead. He promised that on December 7 at the AFL-CIO annual convention, he would lay down the line to the union officials in a similar way. According to numerous independent newspaper dispatches, the President mentioned the matter casually but neglected to carry out his plan. The New York Times in front-page headlines said: "Goldberg Finds Plenty of Room for Bargaining"; and, again, "Labor Spurns Kennedy Bid for Restraint in Bargaining" (December 9 and 13).

There is some, but not much, progress being made in understanding that wages are not only income, they are also costs. The key question is whether or not the Government has any medicine to deal effectively with the union officials' demands for more and more and more. What medicine does the administration have for dealing with the gigantic power which the Congress has placed in the hands of James Hoffa? After the President and the Secretary of Labor spoke, Hoffa said that he would not go along with "any wage freeze." He said that the Secretary of Labor should "keep his nose out of our business" and that the Secretary "has no right to come down here and tell labor how to bargain."

The Secretary of Labor has, of course, already opened the door for new and higher wage settlements. The concern in regard to this attitude runs in terms of the unemployment problem and, equally important, in terms of the balance-of-payments problem—which, if not handled with greater insight and skill, may drive us into authoritarian policies—contrary to our cherished concepts of freedom and voluntary cooperation, embodied in a free market society, even though we, almost to the last citizen, detest such coercive policy.

The participants in making history, perhaps most often, do not know what history they are making. The appeasement policies of the British Prime Minister in the late 1930's are a classical case. The sponsorship of the Wagner Act in 1935 is another case—one of the most revolutionary and damaging acts ever passed by Congress to this day; very few leaders or Congressmen have discovered this fact, and most of these will be even shocked to hear such a statement, but

they will discover it; unfortunately it possibly will require a near national catastrophe to bring about this discovery, and then the wrong remedies may be applied and we may be driven into authoritarian steps. The Economist (London) published a series of charts breaking down employment growth in the United States into two groups, namely (1) mainly nonunionized and (2) mainly unionized. We dug up the data on which these charts must have been based and present them for your thoughtful consideration. If you are concerned with unemployment, it will be noticed that from 1945 to 1960, the "mainly nonunionized" areas of our economy showed an employment increase of about 12 million, while the "mainly unionized" sectors increased by less than 1 million workers. In the period 1955-60 the comparative-growth rates are equally striking.

*Changes in employment*

(Thousands of employees)

	1945	1955	1960	1945-60	1955-60
<b>Mainly unorganized:</b>					
Government.....	5,944	6,914	8,456	+2,512	+1,542
Services and miscellaneous.....	4,011	5,916	6,637	+2,626	+721
Trade.....	7,522	10,846	11,643	+4,121	+797
Finance, insurance, and real estate.....	1,428	2,219	2,485	+1,057	+266
Manufacturing (nonproduction).....	2,438	3,502	4,073	+1,635	+571
Total change.....				11,951	3,897
<b>Mainly organized:</b>					
Manufacturing (production).....	12,864	13,061	12,263	-601	-798
Contract construction.....	1,132	2,759	2,771	+1,639	+12
Mining.....	826	777	664	-162	-113
Transportation and utilities.....	3,872	4,062	3,902	+30	-160
Total change.....				+908	-1,059

Source: Bureau of Labor Statistics.

The Economist drew no conclusions. Certainly no one would attribute this significant differential growth exclusively or perhaps even mainly to the union influence, but it merits thoughtful consideration. It may have relevance for the oversimplified dichotomy: structural versus aggregate demand unemployment. Nor should anything said here be interpreted as antiworker (who isn't a worker?) or as opposition to the freedom of the worker to join a union. A union has many useful functions to perform, particularly in the areas of communication. The very concept of the dignity of man, which we all cherish, involves his completely open opportunity to air his grievances, to express his feelings, and participate in many decisions. Unions which are free from compulsory membership and renounce any use of force or coercion, can perform highly essential services. Two-way communication is a must. But force, coercion, and violence, and not the strike, are the union officials' ultimate weapon. If these primitive weapons were removed, collective bargaining would cease largely to be any problem to the administration, to the Congress, or to the country.

These problems of legislated, administrative, and union-generated unemployment (and related problems) are not confined to the United States. But most foreign nations have a natural discipline working on the minds and emotions of union officials via those nations' heavy dependence upon exports, in order to earn the foreign exchange to pay for the imports. We have no such natural discipline. In Sweden, for example, there is general rejoicing when the top union federation official comes from an industry which is heavily involved in exports. This is true in most of the European countries and helps to promote efficiency, cost control, and relative price stability. A number of the European countries rely on as much as one-third or two-fifths for their income by earning exchange through exports.

As the Common Market matures, a part of this automatic and natural discipline will be lost; this could play into our hands but will not cure our unemployment problem or our basic international payments deficit.

The leaders in Europe are so aware of the wage problem that the Council of OEEC (now OECD, of which the United States is now a member) requested a group of independent experts to study the problem of rising prices, growth,

and employment, and report its findings. In May 1961 the report, "The Problem of Rising Prices," 489 pages, Paris, of the group of distinguished economists (William Fellner, professor of economics, Yale University; Milton Gilbert, Director of Economics and Statistics, OEEC; Bent Hansen, professor and director, the National Institute of Economic Research (Konjunktur institutet), Stockholm; Richard Kahn, professor of economics, Cambridge University; Friedrich Lutz, professor of economics, Zurich University; Pieter de Wolff, professor of econometrics and director of the central planning bureau, The Hague) was published.

All members of the group were agreed that excessive wage increases (wage and fringe increases) secured through negotiation have been a significant factor in the upward movement of prices (p. 55). The report places no faith in public exhortation as a wage policy.

The majority agreed that stabilization authorities (government) must have a wage policy if the several goals of growth, high employment, and reasonable price stability are to be achieved. This recommendation is fraught with much more significant implications for the survival of human freedom than is commonly assumed by those who are intrigued by the naive notion that, say, a government responsive to "labor" will control "labor," in the national interest. Would they recommend that the problem of dope addicts or of burglars, or of dishonest merchants or the makers of poisonous matches be turned over to these groups for solution? (The majority is naive, but not that naive.) They rejected the idea of "restoring competition in the labor market as unrealistic" (p. 57). But from this latter view two members, who had long residence in the United States, dissented.

All members agreed that business monopoly, administered prices, monopoly in the goods markets were not significant factors in the wage-price spiral, a conclusion also reached in our earlier studies: "The Mechanics of Inflation" and "Administered Prices and Inflation." (This, however, is in no way any endorsement of monopoly or price fixing.)

The two dissenters from the idea of a national wage policy (Fellner and Lutz) concluded that wherever "the bargaining attitudes" create a lasting conflict between key policy goals the solution must run in terms of cutting down "the size and functions of the organizational units on both sides of the bargaining table" (p. 64). The dispersal and diffusion of undue power is in the longrun tradition of American history. The dissenters make sense; the majority makes nonsense in terms of policy proposals, although not in diagnosis.

This dissenting view runs substantially in harmony with our conclusions as expressed in "Inflation, Unions, and Wage Policy" (1960) and in "Productivity and Wage Settlements" (1961). For the doubter, we commend a careful reading of Peter Wiles' article in *Encounter* (London), September 1956, "Are Trade Unions Necessary"? (This deals primarily with the economic role of unions in a full employment society.) All three items mentioned in this paragraph might well be made a part of these hearings, for the benefit of Members of Congress, the staff and other Government officials who are going to have to face up to a much tougher problem than is commonly assumed—reconciling low unemployment, adequate economic growth, and reasonable stability in the value of the dollar (including international balancing of payments), all under freedom.

That the United States is drifting toward a position of Government-coerced "national wage policy" is obvious. The pressures of inflation and international imbalance of payments together are forcing us in this direction; as the incompatibility of unlimited market power in the hands of union officials and low unemployment and the integrity of the dollar, is made clear by unfolding events, the drift toward Government coercion will be furthered.

But there is another way out.

England is facing this issue today; in spite of its serious balance-of-payments problems and uneconomic setup in many respects, the unions are expanding their demands. The Council on Prices Productivity and Income appointed by the United Kingdom in 1957 to wrestle with this problem, in its first report in 1958, said: "We must revert at this point to the suggestion that from time to time a percentage figure should be announced by which average money wages could increase during the year without damage to the national interest. We are conscious of the attractiveness of this proposal, offering as it does the hope of establishing a link between the rate of wage increases and the growth in overall productivity. There are, however, serious practical objections to it. There would always be industries in which there were good reasons for the

advance in wages to exceed the average; others in which much less good reasons for it to do so could be thought up; very few in which the case for lagging behind the average would be readily conceded."

Then applying these findings the council stated: "There would thus be a real danger that the prescribed average would always become a minimum, and the process of wage inflation therefore built into the system. This is apart from the point already made that such a procedure seems to involve too definite an endorsement of the doctrine that in a progressive community the general level of prices should never be permitted or encouraged to fall as an alternative to a rise in money income."

#### BELIANCE ON MARKET FORCES

We have, unfortunately, no objective criteria to apply to wage determination through collective bargaining. It is doubtful that we ever will—any more than we can have general guides for the future for price changes of a company or of an industry.

In searching for some criteria for wage determination, Dr. Winfield W. Riefler, then assistant to the Chairman, Board of Governors of the Federal Reserve System (in an address July 21, 1959, entitled "Inflation—Enemy of Growth") stated: "\* \* \* I would hope that the benefits of rising productivity and growth were broadly distributed in three general directions and not over-weighted in any one: (a) in the direction of wage and incomes advanced to the working force to encourage mobility and the ready availability of needed skills and talents at points of innovation; (b) in the direction of lower prices promotive of broader and expanded markets for those end products where productivity has lowered real costs; and (c) in the direction of sufficient profit-encouragement to those who innovate successfully to stimulate initiative in management planning for growth. In other words, I would favor a situation where the efficiencies of growth were reflected in falling, not rising, unit costs \* \* \*"

This is quite clearly a plea for making the free market function effectively in the broad general interest and letting the market forces distribute the gains of productivity among all groups and sectors of society. The New York Times in an editorial, after the 116-day steel strike of 1959, took this same position: "\* \* \* It should be left to competition and the price system to determine how the income flowing from the process of turning raw materials into finished goods should be distributed \* \* \*" (December 5, 1959). For a similar conclusion see the vigorous exposition of Prof. Walter D. Fackler of the University of Chicago before a joint session of the American Statistical Association and the American Economic Association, December 30, 1959, proceedings of the former. This, in fact, is the process whereby, over the decades throughout most of our history, we have spread real purchasing power to all groups and raised our scale of living to the world's highest levels. And it does not involve stagnant real income for workers; it provides rising real purchasing power for them—as it should.

But union monopoly, compulsory unionism, and the use of force, violence and coercion must be eliminated if genuine and balanced collective bargaining based on discussion and persuasion is to be restored. The renunciation of the use of force is not unknown. For example, under the long leadership of President William D. Mahon, the Streetcar Workers' International Union required that all disputes be settled by voluntary arbitration. It is better to disperse and diffuse undue concentrations of power (as we have done quite effectively, even if not perfectly, in the product markets through antitrust laws) than it is to try to regulate them.

Without minimizing the key role of proper monetary, credit and fiscal policies to help maintain sustained prosperity, or as the chairman of this subcommittee said, adequate aggregate demand, the question may be raised whether any general wage increase should be granted by an employer as a result of collective bargaining in a competitive and dynamic economy, except when such an increase is necessary to hold and recruit an adequate supply of individual workers for the establishment. If an employer has difficulty in securing enough manpower, this suggests that the remuneration is inadequate; if he has more applicants for jobs than there are openings or has no difficulties in securing adequate help, this suggests that his offering rates are adequate or more than adequate.

Proper wage and salary administration in the individual establishment, however, may in addition provide for individual payment adjustments in response to improved skill, better performance, etc.

Furthermore, wage adjustments from time to time to maintain morale, reduce turnover and reward cooperative teamwork may be good personnel policy and sound business practice.

Such wage policies in a highly competitive economy, complemented by non-inflationary credit and fiscal policies, would help distribute productivity gains over the years and would lead to a stable or a slowly falling general price level and improved values. This would benefit all consumers, including workers as consumers, as well as those who have retired and those who are living on fixed incomes. It would provide an automatic, steady increase in real income for the gainfully occupied, as well as others. And it would help to mitigate our international balance-of-payments problems.

It is difficult to escape the conclusion that regardless of the conflicting diagnoses and prescriptions and the claims of union officials, the forces of supply and demand—that is, the free play of market forces—should determine wage rates and wage levels. Collecting bargaining, if devoid of force and compulsion, would come close to achieving this goal.

What has been said of wages applies with equal strength to the goods market. Competition in the goods market should be enforced and relied upon to pass on the benefits of technical progress and cost reductions to employees and others as consumers. Only if we have strong competition in the goods market, and it is widely known that it is substantially effective, can we expect adequate public support for the foregoing wage policies.

#### CONCLUSION

In addition to the usually listed types of unemployment (recessional, frictional, seasonal, structural, et al.) we are faced with three additional types which may account for most of the recent unemployment above the normal frictional levels: (1) legislated unemployment, (2) administrative unemployment, and (3) union-generated unemployment.

Government deeds and misdeeds are at the heart of all three of these types of needless hardship.

The idea of government setting a target for annual wage increases is fraught with inflationary dangers, furthering of balance-of-payment difficulties and is in basic conflict with the requirements of a dynamic changing economy.

Government should examine its own responsibility for unemployment in terms of an improved jobmaking climate, tax reform, labor legislation including minimum wage fixing at rates as high as \$4 and \$5 per hour and its encouragement of unemployment—creating union power.

Unless government takes prompt steps to reduce the undue market power of union officials, we will unwillingly and unwittingly be driven into authoritarian action.

This is a problem not for the next decade; it is now at our doorstep. If there ever was a time when management should resist uneconomic wage demands in the national interest, that time is now.

Senator PROXMIRE. Dr. Schmidt, I want to thank you for a very forthright expression of your position. This certainly is an indication of the feeling of, at least one competent economist, a Ph. D., that if we return to a more competitive economy, a more classical approach, eliminate the main function that most people view labor unions to have, and reduce taxes on business, then this can help solve our unemployment problem.

Let me ask you—

Mr. SCHMIDT. I did not say solve it.

Senator PROXMIRE. Well, we can help solve our unemployment problem, reduce it; is that correct?

Mr. SCHMIDT. Yes, I would think so.

Senator PROXMIRE. You put so much of your emphasis on cutting wages—

Mr. SCHMIDT. No, I did not mention that.

Senator PROXMIRE. I should not say that you put so much emphasis on that; but I should say that you put so much emphasis on the pressures we now have for wage increases.

Mr. SCHMIDT. That is right.

Senator PROXMIRE. And you say these wage increases in the past have been excessive, so excessive, that we have priced the labor out of the market.

The implication from that is if they have been excessive and if you are documenting your case as thoroughly as you have, the logical position to take is that they ought to be less, or are you telling us if we simply go a little slower in the future increase wages, but do so at a slower rate, that it will help solve the problem?

Mr. SCHMIDT. I will not say you will solve it, but you would have less headaches. You would be less likely to be forced into the adoption of coercive national wage policies.

Senator PROXMIRE. All right. Now, Dr. Schmidt, we are in a very practical situation. I think you are correct in your appraisal that many people will disagree with your analysis here as far as unions are concerned. We cannot expect to have unions forgo the right to strike, which they think is pretty sacred.

You were referring to violence other than striking. What did you have in mind there?

Mr. SCHMIDT. Well, the union official and also most labor economists always keep talking about the strike as being the ultimate weapon of the union official. This is incorrect. The ultimate weapon is coercion. That is evidenced by the use of mass picketing, and the boycott, and in many cases, arson. We do not have to go over the Kohler strike in order to know what we are talking about.

Even in the steel strike of 1959 there were some dozens of employees who were held captive in one of the steel mills, I think in the Fairless works, for several weeks, and finally the union officials said, "We will let them go home."

In other words, in every strike there is always the potential or latent employment of violence, force, and coercion.

It is my contention that if the union officials would renounce violence and force and coercion, as most other citizens have done, except the burglars and a few others, collective bargaining would be completely compatible with what I am searching for here, and making the market work.

Senator PROXMIRE. What you are calling for is law enforcement.

Mr. SCHMIDT. Right.

Senator PROXMIRE. The situations you describe are illegal now. There is nothing the Congress can do—certainly arson is illegal, and any picketing which prevents employees from going to work, in most States, is illegal.

Unions can advertise their position clearly and emphatically, but employees are still free to go to work, and if the union interferes with their access, physically interferes with it, then they can be arrested, and they have been arrested; they have been arrested.

They just had a strike out in Milwaukee about a week ago in which they were arrested and fined. This happens all the time.

An injunction can be secured. So what you are talking about is that here, at least in answer to my last question, it is that the failure of administration is the cause; is that correct?

Mr. SCHMIDT. That is why I mentioned the business climate.

We have areas in which it is practically impossible to get injunctions. We have areas in which the police force breaks down because when you have masses of workers and a handful of policemen, we know who is going to win.

Senator PROXMIRE. As far as labor is concerned, as far as unions are concerned, your primary recommendation is that the laws in existence now be enforced.

Mr. SCHMIDT. If the laws against force, coercion, and violence and all that that entails were really enforced, I do not think there would be any serious conflict between collective bargaining and the goals of price stability and growth and the threatening of the imbalance of payments.

Senator PROXMIRE. Dr. Schmidt, you are an eminent economist, with a scholarly background; you know the importance of, the overwhelming importance of, evidence. In view of the fact that this is your main recommendation, why don't we have a statistical or some summation of evidence that this has been taking place?

I know there are isolated circumstances, I think they are isolated, maybe they are not. I would like to have evidence if they are not. In the Kohler situation there have been allegations on both sides of violence. There may have been a few instances, but we are talking about a national pattern here.

I want to be as sincere and cooperative with you as I can be, but it seems to me, as I read this statement of yours, I find very little support for the main contention that you are giving me now, that there has been violence, arson, intimidation of a physical kind on the part of labor union officials.

You say if we eliminate this, then there is nothing in collective bargaining that is inconsistent with a competitive pricing system, which can give us more employment.

Mr. SCHMIDT. Well, I suggest in my manuscript that it might be worth while to include this little pamphlet in the hearings ["Inflation, Unions, and Wage Policy"], if it is not objectionable. I think this will give you part of the answer to this question.

We made this study, which is called "Inflation, Unions, and Wage Policies," and we tried to answer two questions:

(1) Do unions really create a cost-push effect? We canvassed the literature, including the hearings before this committee, and we found that economists were divided, with a growing tendency for them to believe that unions do cause inflation on the wage side.

But then we went one step further and we said, "Where do the unions stand on fiscal policy, on credit policy, on Government spending, and so on?" We could not find, for example, a single labor leader or labor economist in any union who had ever come out in favor of amending the Employment Act of 1946 under which you operate, to include as one of the goals, not a superior goal but as even one of the goals, the integrity of the dollar, not one.

Senator PROXMIRE. Isn't that implicit in the Employment Act of 1946? I happen to favor and I am a cosponsor of the Bush bill which would do that, and I favor it.

Mr. SCHMIDT. I commend you for it, too.



Senator PROXMIRE. There is a feeling on the part of many people who feel just as sincerely as I do that that should be an objective of our economic policy, but they feel it is implicit in the act; they feel it is unnecessary, redundant, tautological to also put in a provision that you are protecting the dollar.

Mr. SCHMIDT. You see, you can make the same argument about maximum employment. Let us throw that out because you already have maximum production in there, but I think there is some value, Mr. Chairman and members of the committee, in having it made explicit.

Senator PROXMIRE. I agree with that. All I am saying is that those who do not necessarily favor overtly the Bush bill cannot be said to have a disregard for the importance of price stability.

Mr. SCHMIDT. Yes. Well, I am very glad that you are putting some pressure on it. We have urged this for many years. We worked with the White House on actual language on this, and we have never been able to get any bill of this kind given really serious consideration.

I think it would have a psychological advantage if the President of the United States can say that the Employment Act says that these four things are our goal, not one, that under free enterprise, under freedom, we want maximum employment, maximum production, maximum purchasing power, under reasonable stability or integrity of the dollar, some such phrase as that.

Senator PROXMIRE. What does maximum purchasing power mean?

Mr. SCHMIDT. Well, that is as vague as the concept of reasonable stability of prices, consistent with freedom. That is why I put in the word "freedom." You could have much higher purchasing power, no doubt, if we coerced people. So that these concepts have to be read in the light of the weighing of alternatives.

Certainly full employment does not mean that we have 100 percent employment.

Senator PROXMIRE. It says maximum employment.

Mr. SCHMIDT. Yes.

Senator PROXMIRE. But maximum purchasing power, it seems to me, is as explicit, as specific, as maximum employment.

Mr. SCHMIDT. Oh, yes, I agree with you.

Senator PROXMIRE. What you are talking about in terms of purchasing power is the ability to buy at whatever the price is, and purchasing power is the essential element.

I am not arguing this as persuasively as I could, because I am a co-sponsor of the bill, and the people who take a contrary viewpoint are defensible from the standpoint of integrity and sincerity, and also from the standpoint of believing sincerely in purchasing power.

Just this morning we had Mr. Meany here. Mr. Meany was very emphatic in saying that he recognized the burden on the worker and union member of inflation; he recognized a very serious burden, and he was concerned with it, and he expressed that.

Of course, he also said if the worker does not have a job, that the low prices do not do him much good if he cannot buy what is sold.

I have other questions, but I think I have taken my 10 minutes, and I will yield to Mr. Widnall. I will come back to it later.

Mr. SCHMIDT. May I just, before you yield—

Senator PROXMIRE. Yes, you bet.

Mr. SCHMIDT. I would like to answer one point you made, which is, you asked for the evidence on this question of force and violence, and so on.

It is not simply the employment of actual cases of that kind that is relevant. The relevant thing is that it is always latent, it is always in the background, and the employer knows it.

Now, 50 years ago when a plant was struck the employer would keep on operating. Today when a plant is struck the employer generally closes down. Why? Because he knows he cannot get police protection; he knows the difficulty of obtaining injunctive relief and, therefore, he closes down, and there is no violence, and people say that this is collective bargaining.

But this is not getting at the root of doing something to diffuse the economic powers of the unions.

Now, New York is going to face this problem of a 4-hour day of local No. 3 in the Electrical Workers Union, and they want a 4-hour day with no cut in the weekly pay. They want 40 cents an hour increase, plus a considerable number of additional fringes.

The man who heads the local also heads the city federation of all the locals, and he has got the whole city federation of 1 million workers to stand behind that local.

What does Mayor Wagner intend to do? What is the U.S. Congress going to do if that strike occurs?

Senator PROXMIRE. You are not arguing that has anything to do with violence, are you?

Mr. SCHMIDT. Oh, yes; it has a lot to do. That is exactly my point. This is the point which so many people—

Senator PROXMIRE. You mean the Electrical Workers—you have made a serious statement here. Is there any evidence that they have employed violent tactics or that they intend to or they have indicated—

Mr. SCHMIDT. I do not know what their intentions are, but I can predict what they will do if it comes to a showdown, and if the employers try to keep operating and, you know, too, what they will do.

Senator PROXMIRE. Well, now, in all of our history we have had violence on occasions; but there has been violence on both sides. Certainly we had violence in the Little Steel strike back in 1937 in Chicago; we had violence in the Kohler strike in which men were shot and killed, and who were they? The men who were killed were on the union side. Violent murder in some cases has been the tactic of employers.

I am not arguing that all the violence is on the management side, but I am saying that if you talk about violence in a balanced way, I think you have to recognize that it has been employed occasionally, rarely, in collective bargaining or, I should say, in labor-management relations. But it has been employed on both sides.

Mr. SCHMIDT. Yes. But it is not any more on the part of management of any consequence. Management has gotten very effeminate, very tame because it is hemmed in by all sorts of laws, so it knuckles under and closes up the plants, and finally the competitive pressures are such that they have to give in, and costs go up, and profits are shrunk; the capacity to expand is reduced.

Now, this is what I am really getting at. I know this is very hard to prove and it is hard to believe, and even a man like Edwin Witte under whom I studied in Wisconsin, did not understand this point, and one—

Senator PROXMIRE. I am perfectly willing to understand anything; that is our job, and we want to accept any kind of evidence that you can show us. I am perfectly willing to take it. But just on the basis of saying that the reason we have such a serious unemployment problem is because unions employ violence—

Mr. SCHMIDT. You are misquoting me a bit.

Senator PROXMIRE. Perhaps I am. But this is certainly the direction, the emphasis, of your testimony, isn't that correct?

Mr. SCHMIDT. No.

The point I am making is that it is the actual or the potential violence that is the ultimate weapon in the hands of the union official.

Senator PROXMIRE. All right, that is an amendment.

Then you are arguing that the actual or potential use of violence which gives the unions the power, in your viewpoint, to command wages in substantial excess of productivity increases, this is pricing labor out of the market, resulting in heavy unemployment, and you think this is the prime reason for it?

Mr. SCHMIDT. What proportion of the unemployment is due to this, I do not know.

Senator PROXMIRE. But this is the direction and stress of your criticism.

You also, I must say in fairness, have talked about tax inequities which we will come to, but the main emphasis has been on the union power.

Mr. SCHMIDT. Furthermore, Mr. Chairman, what I am trying to do is to fill what I think is a vacuum in these hearings.

We have had a lot of discussion on structural employment, a lot on aggregate demand and, I think, it is all to the good. But here is an area in these three types of unemployment I am talking about which has been understressed. I am not trying to say these are the three explanations. I think that monetary and fiscal policy is very important in having a viable and effectively functioning economy. But I would say you are concerned with this 5.5 percent, 6 percent unemployment. Why do we choke off before we get full employment or some maximum employment? Why does the economy have a slower growth than it might, and why are we so worried about the balance of payments?

We have lost a lot of gold in the last 4 months, I think about \$700 million of gold in the last 4 months, in this balance-of-payments problem, and according to the people who have been studying it closely, it is going to get a lot worse in the first half of 1962. You can do some things to stop this outflow by cooperation of various central bankers, and they have been very cooperative with our own Federal Reserve.

But this is no correction of the fundamental disequilibrium which may exist between the value of our dollar and foreign currencies.

Senator PROXMIRE. Mr. Widnall.

Representative WIDNALL. Dr. Schmidt, this morning when President Meany was here, I asked him about whether or not he had a

breakdown of the number of organized workers who are unemployed as compared with the unorganized workers, and he at that time indicated, I believe this is right, Mr. Chairman, that he did not have a breakdown on the number of organized workers who were unemployed.

Now, in your chart here you have attempted to answer that very same thing that I was trying to get at this morning, and you indicate here that mainly nonunionized areas of our economy showed an employment increase of about 12 million, while the mainly unionized increased by 1 million workers.

In all fairness, isn't it true that we have gotten more and more into a service type of economy?

Mr. SCHMIDT. Yes, this trend would continue anyway if we had no unions, or all sectors of the economy were unionized; this trend would continue.

Representative WIDNALL. This was taking place prior to 1945.

Mr. SCHMIDT. Yes.

Representative WIDNALL. But it has been emphasized more and more as we have gotten into more leisure, recreation, and more things which come into it.

Mr. SCHMIDT. Services give us better values. Why does it give us better values? Why do we shift to these services we talk about? One of the reasons is because they give us better values, and it costs less relative to the utility or worth of the goods.

So the cost, you see, has something to do with this shift.

For instance, you might have a third car—I assume you have a second car—you might have a second car or you might have a bigger boat, and so on. Why don't you? Well, it costs something to run a third car or a second car.

But it does not cost so much to go to an extra concert or to the bowling alley, so cost considerations are, in part, a consideration in the shift away from goods to services.

They are not the fundamental reason, I do not believe. I think we are, by and large, a rather fully equipped economy in terms of houses and in terms of gadgets and in terms of appliances, and so on, so I think there would be a tendency, regardless of the things I mention, in this direction.

But I do not think, Mr. Widnall, that this answers the question that was asked of Mr. Meany.

As I understand it, he was asked whether the unionized sector of the economy has more unemployment than the nonunion. I do not think this answers it.

All this says is that employment growth was 12 times as rapid from 1945 to 1960 in the largely nonunion sectors than we have had in the union sector.

Representative WIDNALL. I also asked him about the contrast between our economy and that of Japan and West Germany, the fact that today they have no substantial unemployment, and how he accounted for that.

He attributed this practically entirely to a rebuilding of the devastated areas, which had an impact on the economy far beyond anything we had here in the United States.

Of course, it started out that way, but it has been, and it is being continued.

What is your own feeling about that? Why are West Germany and Japan prospering the way they are today compared with the United States?

Mr. SCHMIDT. I think it is partly what Mr. Meany said, that it is rebuilding. It takes a while for rebuilding to go on, including, of course, consumers' capital, and so on, and probably they are still the "beneficiaries" of some vacuums that were created by the devastation of war, and so on.

But I think it is also the terrific determination to work in both the case of Germany and Japan.

The wages have been kept low in both of those countries, and the incentives to capital formation have been kept very high, particularly the depreciation policy, and other features of the tax policy, and these have encouraged capital formation and capital investment.

Whenever you have a capital building boom you generally have a total boom in the economy. This has been true in our own history.

So I think probably it is partly explained in that way. But in addition they have kept their own internal purchasing power a little on the low side, so that their products are exceedingly salable in the foreign markets, and that has given them foreign exchange in order to purchase the raw materials and various other things that they did not produce.

They can produce for their domestic consumption as well as for export, and it is a well-known fact that the wage rates have been kept low for various reasons in both those countries. But there is some reason to believe, however, that they are now moving into a period when this will no longer be the case.

In fact, the absentee rate, I was told by the editor of Die Welt in Hamburg, the normal absentee rate was 3 percent in Germany until about a year or two ago, and now it is 9 percent.

Well, the German people have sort of gained their goals, their short-term goals, of better living, better food, better clothing, better housing, and so forth, so now they are beginning to take it a little easier.

Of this 3 percent which was normal, 2 percentage points were due to illness, and the other was inexplicable.

Now, this has moved up to 8 or 9 percent, and this probably means cost increases in Germany, and I think this will be true in most of the Common Market countries. It will, perhaps, be greater from now on than in the last 5 years.

So that if the European economy integrates there will be certain advantages from our viewpoint and certain disadvantages from our viewpoint, and the advantage will be that maybe their labor will demand more, their prices will move up faster than ours, and this will not impair our balance of payments quite as adversely, as much, although I think we will still be in very serious trouble in many of our industries in terms of imports.

Representative WIDNALL. Isn't a good example of what you have been saying in your statement the movie industry where taxation and the loss of incentive to continue work for more than one picture a year, and labor pressures, have practically taken our movie industry overseas in order to duck these things?

As I understand it, the increasing profits in some movie companies are coming just out of the reissue of old films, and some of the companies say that if they could have one good old picture they can bring out every year for 7 years, they can show a phenomenal profit because they have no costs in connection with it, and this is what they are aiming for.

Now, this is not going to provide employment. It is going to mean that we have a dead movie industry as far as the United States is concerned.

Mr. SCHMIDT. And tough on viewers, if we have only old ones.

Senator PROXMIRE. They are all watching television anyway. [Laughter.]

Representative WIDNALL. And these get taped in Europe, lots of them, too, so far as the sound is concerned.

Mr. SCHMIDT. I have not particularly looked into the movie industry, but probably this is right. This is a good illustration of the points I am trying to make. Businessmen, laborers, anybody, can price themselves out of the market. It may be marginal, it may be massive.

Representative WIDNALL. That is all.

Senator PROXMIRE. Senator Clark.

Senator CLARK. Thank you, Mr. Chairman.

Dr. Schmidt, I have listened with keen interest to your presentation, and I have taken some notes. I am not entirely sure they are accurate, and I would like to confine my questioning of you to see whether I adequately and properly understand your position, because I want to be very careful not to misquote you and give you an opportunity to point out to me any inaccuracies I may have in my notes.

As I understand it, you believe that in order to reduce unemployment, we should cut taxes, give incentives for higher profits; stop harassing business; repeal the Wagner Act to the extent that the Taft-Hartley and the Landrum-Griffin Acts have not fixed it to your satisfaction; repeal the Minimum Wage Act; create in the States business climates which would be favorable to the expansion of business, and I am implying, although perhaps I am wrong, that this would mean, as I understand is the case in Michigan, opposition to social legislation and strong opposition to further State aid to education; eliminate administrative agencies which regulate business; hold down, if not reduce, wages; curb the power of labor unions, and rely generally on the law of supply and demand to give us an economy in which employment will be far higher than it is today.

Mr. SCHMIDT. You are about 85 percent right. I think—

Senator CLARK. Well, if I have made any—I really would love to have you sort of fill in that 15 percent because I do not want to be inaccurate.

Mr. SCHMIDT. Well, it is very hard to repeal social legislation, but there is a way of digesting this.

Senator CLARK. Let me put it this way: you would, perhaps, agree it is not feasible to repeal social legislation, but to the extent that it is feasible you think we have gone too far?

Mr. SCHMIDT. I am certain we have gone too far.

If you tell your grandson—Congress tells your grandson—a youngster of 18, that he cannot get a job, cannot take a job, unless he can find an employer who is willing and able to pay \$1.15, he must remain unemployed unless he can find an employer willing and able to pay that rate. I know you have created unemployment. Under Walsh-Healey the minimum wages go as high as \$5 an hour, plus fringe benefits.

Senator CLARK. Can you think of any other major inaccuracies in my summary of your testimony?

Mr. SCHMIDT. Yes, sir, there were quite a number. I just made a rough guess of 15 percent. I said nothing about repealing the Labor-Management Act.

Senator CLARK. The Wagner Act.

Mr. SCHMIDT. Wagner Act.

Senator CLARK. But don't you think the implication of your testimony was that it was a mistake to pass it?

Mr. SCHMIDT. Oh, yes, I think it was a fundamental mistake. I think it would be a mistake for the U.S. Congress to declare that every business of the United States should join the U.S. Chamber of Commerce, and in the same way it is a mistake for the U.S. Government to come out and officially endorse the maximizing of unions and union power.

Senator CLARK. I thought I understood you that way, and therefore you would favor the repeal of the Wagner Act if it were politically feasible, would you not?

Mr. SCHMIDT. Well, personally, I would prefer a policy of something like this—this is not chamber policy—I would make the Wagner Act inoperative on a State-by-State basis.

Senator CLARK. By right-to-work acts?

Mr. SCHMIDT. No. I would make the Wagner Act inoperative on a State-by-State basis whenever a State passes a law which guarantees the workers the right to join or not to join a union, and a few other minimum protections on both sides, and a few other things of this kind.

Senator CLARK. Wouldn't one way to do that be to pass the State right-to-work laws?

Mr. SCHMIDT. Well, I do not like the words "right to work."

Senator CLARK. I do not like it either, but that is what you fellows have referred to it as.

Mr. SCHMIDT. I prefer the concept of voluntary unions.

Senator CLARK. Yes, but you would favor that?

Mr. SCHMIDT. Oh, yes.

Senator CLARK. And that would have an adverse effect on the Wagner Act, wouldn't it?

Mr. SCHMIDT. A little bit probably, not very much. In fact, the unions claim it does not seem to hurt them very much, although they still want the 19 State laws repealed, so I do not quite see the consistency.

Senator CLARK. I think we have explored that as far as I care to unless you want to go into it more deeply.

Is there anything else I said about your statement that you take exception to?

Mr. SCHMIDT. Well, there were quite a few things you listed there, and I would have to see them all in detail. If you are going to give a speech I think you ought to be quoting it accurately. I do not like to have to write you letters, wasting your time and correcting you.

Senator CLARK. I agree.

Mr. SCHMIDT. Well, you send me a list and I will tell you where I stand.

Senator CLARK. It occurs to me that your economic philosophy, as you expressed it today, is pretty much that of Adam Smith, is it not?

In other words, in reality you believe in the pretty largely unregulated operation of the law of supply and demand.

Mr. SCHMIDT. Well, I feel rather honored that you should put me in his class. He was professor of moral philosophy at the University of Glasgow.

Senator CLARK. Yes, that is what interested me.

Mr. SCHMIDT. And I appreciate the compliment. If I deserve it, I would certainly accept the accolade.

Senator CLARK. I would just make one final statement.

Mr. SCHMIDT. Except I would go further, you see, I think, as I stressed it, we need appropriate monetary and fiscal policy, and even the Founding Fathers put in the Constitution, that Congress shall have power to coin money, regulate the value thereof.

They saw the importance of currency, of the unit of account, and so I would say there are some very important functions that are performed by Government. But they always ought to be on the side of making the market work better.

Now, look what has happened in agriculture. This is a shocking waste of resources, not simply what the taxpayer has been paying, but the holding of resources in agriculture that ought to be released from agriculture, and the cost of the agriculture program is not measured by simply the tax burden of support prices or whatever it may be, commodity corporation purchases and loans and all the rest.

So whenever you interfere with the market you are paving the way for the misallocation of resources, and you are paving the way for waste.

So I would say that every time you people are asked to consider a bill, to vote on a bill, you ought to ask yourselves, Does this make the market work better or does it block the market?

Senator CLARK. Well, this was one of the main precepts of Adam Smith, was it not?

Mr. SCHMIDT. That is right.

Senator CLARK. I am going to make a comment which I am sure you thoroughly disagree with, but you may want to rebut it.

I think if you had your way we would have a plutocracy in this country not unlike the South American dictatorships, except with the president of the chamber of commerce as the dictator.

Mr. SCHMIDT. Well, if you want to draw invalid conclusions from lack of evidence that is, of course, your privilege.

But if you are at all familiar with anything I have written and my testimony before many congressional committees—this is my fourth appearance this year—you will find not one single sentence, so far as I know, that will ever give you the slightest evidence to support such a conclusion to which you have no moral right, although you have a legal right, but no moral right to attribute to me.



Senator CLARK. It is my misfortune, Dr. Schmidt, not to have heard you before, and it is my even greater misfortune not to be familiar with your earlier writings. I certainly think you have the right to state your position. I am just amazed at it.

Mr. SCHMIDT. All I say, let us make the market work. Wherever you interfere with the market you get into trouble. Maybe sometimes the market will not do the whole job; maybe there are times when you have to have Government aid or props.

But in labor we no longer have a labor market. We talk about administered prices. The most vigorously administered prices today in the American economy are wage rates in the unionized sector.

Senator PROXMIRE. If I might go ahead, I would like to come back to the statistical comments that you have. Are you familiar at all with the Daniel's article in the Reader's Digest?

Mr. SCHMIDT. Yes.

Senator PROXMIRE. What is your reaction to that article?

Mr. SCHMIDT. I wrote a letter to the editor of Reader's Digest suggesting that he might want to publish a subsequent article, and I did not spell out in detail, but I said I had a close association with the BLS, and I did not think that the BLS deserved the criticism, and that while some points were valid, that the overall impact of the article was wrong.

Senator PROXMIRE. You feel that Mr. Clague is a man of integrity?

Mr. SCHMIDT. Oh, yes. He was a colleague of mine at the University of Wisconsin in the midtwenties. I knew him—

Senator PROXMIRE. I certainly admire you both on that account.

Mr. SCHMIDT. Well, we have a few things in common.

Senator PROXMIRE. You feel that the BLS does not rig prices with any conscious effort to pave the way for a public welfare legislation or anything of that kind; is that correct?

Mr. SCHMIDT. Well, as I said, I have been on its Business Research Advisory Council since the beginning. I have been chairman several years, and I have no evidence whatsoever that they would ever think of rigging or manipulating. We get into only the technical side of their work. We do not get into the policy questions.

Senator PROXMIRE. I think that is fine. I am delighted to hear that statement coming from a representative of this very important organization.

Now, you argue that we have a difficulty because of the noncomparability of our unemployment statistics as compared with many other countries; that our statistics are just different, and when people, the Communists, particularly, say "You have got a terrible unemployment problem in America," and use it for their advantage, this has unfortunate impact on our public image and an unfair impact.

Mr. SCHMIDT. That is right.

Senator PROXMIRE. That is a legitimate point.

It is true, however, is it not, that Canada has the same system we have?

Mr. SCHMIDT. I think there are two or three countries that use our formula.

Senator PROXMIRE. Canada has heavier unemployment.

Mr. SCHMIDT. I think Japan now uses a close similarity to our formula, one or two other countries also.

Senator PROXMIRE. It is also true, is it not, that we have the same unemployment reporting system they have to the extent that we have a registered unemployment figure that we publish?

We have something in addition to that; that is, an overall unemployment. In other words, we do not stop where they do. Where they stop they count the unemployed people who have registered with their unemployment compensation office, whatever they have, a comparable agency, and stop there. We do not. We count everybody.

So it seems to me if there is a correction to be made in the interest of scientific statistics it ought to be made on their side. They ought to make their statistics more comprehensive rather than our tossing away a real contribution we make to our total understanding of our economy, as to how it is operating; is that correct?

Mr. SCHMIDT. Yes. If you can get them to do that that would be fine.

Senator PROXMIRE. Well, some have testified or indicated in correspondence with this committee and with others that they feel our statistics are excellent and the best in the world.

Mr. SCHMIDT. They probably are not perfect, but I guess they probably never could be made perfect. I always had a little question—

Senator PROXMIRE. I am sure you would be among the first people to oppose any sanction or force of any sort, pressure to bring them into line. This should be voluntarily, completely, don't you agree?

Mr. SCHMIDT. Well, this is not voluntary.

Senator PROXMIRE. No, I mean it should be voluntary on the part of the country as to what kind of statistics they want to publish.

Mr. SCHMIDT. Oh, yes. I would suggest they do it through various international agencies in which we have done harmonizing of the standards in many other matters.

Senator PROXMIRE. Now, your second observation on structural versus inadequate demand unemployment, is extremely interesting, and I think very constructive. This is a very useful kind of an insight. Incidentally, it does contradict what Mr. Martin of the Federal Reserve Board, and other people who take his viewpoint, say, who say that to attempt to solve this problem through increasing demand escapes the main point which is that this is a structural problem, and if you increase demand you are going to have very rapid inflation before you reduce the unemployment below 6 or 7 percent, because the main reason many of these people are out of work is because they do not have the skills that are needed. They are in industries that have gone obsolete, and they cannot find jobs that are appropriate.

You do a good job of rebuttal. You point out in the period of demand these people will find jobs. If they cannot, and are unwilling to make the effort, then you have a different kind of moral responsibility and a different kind of situation. But you seem to agree there is a problem of inadequate demand here.

Mr. SCHMIDT. Well, by definition, I would think you would have to say that is the case. But my primary purpose was to emphasize what I think has been underemphasized, at least the three additional causes.

Senator PROXMIRE. Yes, I am coming to that next; I agree.

Mr. SCHMIDT. But I do not know really whether you can resolve the dichotomy between those who say it is primarily structural and those who say it is primarily inadequate demand.

I read through most of the material, and I am still not certain as to how to really conclude the issue. It may be that our goal of 3 or 4 percent unemployment is inconsistent with stability of prices. This is, unfortunately, true.

So it depends a little bit on what your goal is and what pressures you are bringing to bear via fiscal and monetary policies.

To buoy up—if you want full employment or maximum employment, as you define it, you want growth and good allocation of resources and price stability and, particularly, in light of the balance-of-payments difficulty.

Senator PROXMIRE. It seems to me this brings us to an appropriate point for this question. In my earlier questioning you indicated that while you felt very emphatically and very strongly, and put a lot of your emphasis on the various excessive sanctions, as you would describe them, that you feel unions have, you feel this is one aspect of the problem.

In addition to this, you have monetary policy and fiscal policy that could also relate to providing better employment opportunities.

Mr. SCHMIDT. Oh, yes.

Senator PROXMIRE. How would you—what kind of, first, monetary policy would you adopt? I assume, in view of the fact you would recognize that by definition, as you say, there is inadequate demand, and in view of the fact that increase in the money supply, lowering the interest rate, following an easier money policy than we have now would tend, I presume, on the basis of all economic analyses I have seen, would tend to increase demand, therefore, I would presume that you would favor monetary policy that would be expansionary and increase demand; is this correct or incorrect?

Mr. SCHMIDT. It is essentially correct, except that you have got to worry about price pressures and the international balance of payments, and that is why I put the emphasis on cost stability: If we can become more competitive via the rest of the world so they won't penetrate our markets quite as easily, and we can penetrate theirs, and we can penetrate third country markets, then by having good cost control, good values, we will solve a good deal of this problem.

So I would say at the present time, apart from the international balance of payments, credit ease is indicated. But in the light of the balance-of-payments difficulty, and I have the figures here of the gold losses, just in the past 4 months, of close to three-quarters of a billion dollars we have a new problem.

Senator PROXMIRE. You would then return to the cost emphasis, which goes back to your primary theme, which is what you consider excessive union power and and violence, so from a practical standpoint you would feel that now your hands were tied on Federal policy.

Let me ask if there is any possibility of concentrating, as the Federal Reserve Board has tried to do, on what is the principal reason for the loss of gold, and that is the exodus of short-term money.

This is very fluid and, therefore, if we can follow a policy of high interest rates for short-term obligations, and lower interest rates for

long-term obligations, then we can discourage money from going abroad, and we can encourage the investment availability, or rather the incentive for businessmen to borrow because the interest rates would be lower for their long-term capital needs.

Mr. SCHMIDT. Well, my impression, Mr. Chairman is that this effort has been almost a complete failure, of raising the short-term rate and lowering the long-term rate. You can hardly find it in any figures.

Senator PROXMIRE. Well, our position in arguing with the Federal Reserve Board is because it has not been nearly vigorous enough. What they have done is they still have a tremendous portfolio of short-term obligations, almost no or very few long-term obligations, and their purchases of long-term obligations to drive the interest rate down on those, and the sale of short-term obligations has been very, very small, very limited.

Mr. SCHMIDT. Well, I am not sure that the Federal Reserve really has the power to change the structure of the interest rate or the average interest rate, if you can think of the average.

Senator PROXMIRE. But the control of the supply of money Congress has it by the Constitution, and it is delegated to the Federal Reserve Board. We think they have indicated a power which, I think, was ample, and which I am sure you know that throughout the world war and throughout the decade of the thirties, they were able to peg the interest rate at a very, very low rate. I am not advocating that, and I am certain you are not, but they demonstrated their power, from the standpoint of sheer power they could do it.

Mr. SCHMIDT. Sure, you can dictate it.

Senator PROXMIRE. All they have to do is go out and sell the terrific portfolio they have of short-term obligations, and drive the price low enough and interest rate high enough so that people won't invest abroad as they are doing, and this has been the principal reason for our loss of gold.

Mr. SCHMIDT. Well, I do not think it is the cause of it really. It rather takes that form. It takes the form of short term. I do not think we have had much so-called hot money. I think we have had smart money moving across international boundaries.

When the rate in Britain was 7 percent or the rediscount rate, a few months ago, obviously this is pretty good, and it is reflected in other short-term rates. So money tends to move. The British reduced their rate not for internal reasons but to accommodate us, as I understand.

I am not at all convinced that it within the power of the Federal Reserve Board to do much to change the structure of the interest rate or the level of the interest rate because you always have to remember that the great bulk of borrowing is not via the commercial banking system; it is through the vast money institutions in the noncommercial banking sector of the economy, pension funds, the insurance companies, building and loan associations, and so forth.

The great bulk, in fact about 85 percent of the increase in loan funds in any normal year, is outside of the commercial banking and the Federal Reserve System.

Senator PROXMIRE. I am sure that is true. But you would not deny that, rightly or wrongly, we have very, very low interest rates or we had in the 1930's and throughout World War II; we have them under

circumstances in World War II where all the economic factors should have pulled them up, and we had them throughout the economy and we had them because of a deliberate policy of the Federal Reserve, they had the power to do it, and they have the same power today.

There has been no change that would reduce that power.

Mr. SCHMIDT. Well, they have the legal power.

Senator PROXMIRE. The legal power; yes.

Mr. SCHMIDT. But we did that at terrific expense of inflating the money supply.

Senator PROXMIRE. Oh, yes, yes. All I am saying—

Mr. SCHMIDT. And inflation.

Senator PROXMIRE. That is right. I am not arguing that that was the right policy, and I agree with Senator Douglas and with your position on that particular point that we should not have pegged the interest rate as we did. But I say that they have the power now if they wished to do so.

Let me move on to something else because I think your position has been very clearly and persuasively stated on that, before I yield to Mr. Widnall, then I have just a few more questions.

With regard to fiscal policy, you have said that because of the international balance of payments that monetary policy is at the very limit of what you can do.

Now, with regard to fiscal policy to expand employment, the classic situation calls for deficit spending or, at least, for reducing taxes and increasing expenditures in relationship to revenues.

Now, I would be very much surprised if you would follow that classic position, would you?

Mr. SCHMIDT. Well, I am not sure that is the classic position.

Senator PROXMIRE. Well, whatever you want to call it, it is certainly the standard accepted economic position in periods of recession or depression.

Mr. SCHMIDT. You mean today?

Senator PROXMIRE. Well, let me put it this way: If we were suffering from a very serious inflation and we had a very tight money supply, and a terrific pressure on resources, we would certainly follow the opposite policy, would we not, of advocating increased taxes and sharply decreased spending, one or the other, for a balance of running a big surplus.

Mr. SCHMIDT. Yes. You want a big surplus in order to reduce the inflationary pressures

Senator PROXMIRE. So that now, with the contrary position existing, I should think logically you would advocate a reverse policy

Mr. SCHMIDT. Well, we really do not know very much about fiscal policy. Bert Hickman, of the Brookings Institution, made a study of it, and his conclusion was that Government fiscal policy since the end of the war has been procyclical instead of anticyclical, and the problem of timing, the problem of decisionmaking, is so complicated that I am not at all sure that we have the machinery, the kind of machinery, that is needed to use fiscal policy in a way that is really countercyclical.

But, in general, I think most students would say that when you have a somewhat slack economy, you probably should not have, you should not be generating a very large surplus, you should have, at best, a

balanced budget, perhaps some would even say you might have a deficit.

On the other hand, some people argue that if you have a surplus and pay off some of the Federal debt, the debt holders are primarily investors. They will not consume that money when the Government pays off the debt and, therefore, they will search out investment opportunities in the private sector. So I am not sure who is right on this fiscal policy.

Senator PROXMIRE. Then in terms of decisive conviction we come back to the original position. This motion that restraining costs by removing what you regard as the excessive power of unions, you feel that this is the practical answer today because you say you would not use credit policy because of international payments, the international payments situation, you would be hesitant to use fiscal policy because you feel there is a dispute on its efficacy under the circumstances; you would not run a deficit now.

Mr. SCHMIDT. And the problem of timing.

Senator PROXMIRE. And timing, and so forth, so we come back to your solution which is to act to change the Labor Relations Act to the greatest extent possible, so far as Congress is concerned, do everything else you could to remove what you regard as the excessive power of unions, particularly what you regard as the power of the union to use violent tactics to intimidate employers.

Mr. SCHMIDT. And other workers, intimidate other workers. This is equally important.

Senator PROXMIRE. Your position is clear.

Mr. Widnall.

Representative WIDNALL. Mr. Chairman, at this point I would like to ask permission, if Dr. Schmidt would want, to at that point in the record where Senator Clark made his statement, be given the opportunity to fully examine that statement and answer fully the charges that were made in this statement.

Senator PROXMIRE. That list of items when he summarized Mr. Schmidt's position; by all means.

Representative WIDNALL. If you would like it. I think you should have the opportunity because it would be difficult to remember all the things he has stated.

Mr. SCHMIDT. Yes.

Representative WIDNALL. Now, in your statement you spoke about the computation of unemployment in Sweden, and also in other countries.

What is the difference in the method they compute unemployment and the way we do it over here?

Mr. SCHMIDT. Well, until recently, at least, they simply added up those, I think, who registered as unemployed, and therefore, they had—I think this is correct, I am not too sure, but this is generally true in most of the European countries—people who register for unemployment compensation are counted as unemployed; whereas we actually go and make a 35,000-household sample survey, and then blow it up for the whole economy.

Representative WIDNALL. How would they in a country like Sweden account for those who have never been in the work force?

Mr. SCHMIDT. They would not include them. That is one reason why their figure is low.

Representative WIDNALL. They would not have the opportunity of collecting unemployment compensation.

Mr. SCHMIDT. That is correct. That is why their figure is so low, at least one reason why it should be low.

Representative WIDNALL. Do you think it should be amplified, and it would be helpful to the committee to get statistics with respect to these other countries?

Mr. SCHMIDT. I am sure the BLS and, maybe the staff of this committee, has that information quite on tap. I do not think it would take a lot of work.

Representative WIDNALL. I thought you might have something available.

Mr. SCHMIDT. I do not think we have anything in detail.

Representative WIDNALL. Dr. Schmidt, we have had a good many mergers taking place in this country lately that have tended to build business bigger and bigger and bigger, and shut out some employment by the merging of facilities.

What has been the basic pressure for those mergers? Has there been any particular pattern to them?

Mr. SCHMIDT. I think most of them have been in the direction of what is called rounding out lines. We have had some that are called conglomerates where a company goes into a completely new type of business, and this is generally viewed with a good deal of skepticism by outsiders; just because you have good management to run one kind of business does not mean that you are going to have good management to run a wholly different kind of business which you bring under the same executives.

So I think most of the mergers have been in cases where they are trying to round out lines. They have been in one line of chemicals but not a complete line; in one line of drugs but not a complete line, so they merge and bring in related lines which can be well handled by the research staff, the marketing and advertising people, and the management people, and so on, and I think it is the pressure of costs and the desire to grow that has accounted for a good deal of this expansion.

Representative WIDNALL. That is not what I had in mind. What I was talking about was the merger of firms in the same line of business where in a number of instances the motivating factor seems to be to take a tax deduction where they could deduct certain things, acquire certain rights, by taking over the other company, and this causes unemployment as they do it.

Mr. SCHMIDT. Well, I do not know whether it causes unemployment or not. It might a little bit. But, on the other hand, it might help the whole complex to become more of a going concern and thereby actually expand and create more employment.

It would depend a little on the situation. I think Studebaker was a case of the kind you have in mind.

Representative WIDNALL. I am going to make a comment at this point, and I won't ask you to comment on it unless you would like to, but we have talked about collective bargaining, and you said something about the coercive possibilities in forcing people to collectively bargain because of threats or intimidation or violence on the side.

I just have the feeling that something has been happening this past year in the United States by the sending of Secretary Goldberg into a strike area almost immediately as the issues come to light; doesn't that tend to repeal collective bargaining?

Mr. SCHMIDT. Oh, yes; I think it does. It does add a new factor of Government pressure, and I think it is very unfortunate.

I think these disputes ought to be settled privately on the basis of persuasion, argumentation, and then I think you get sound settlements; and then if you have full employment or maximum employment, the economy will be more flourishing, and you will turn out more real product, higher real incomes for everybody.

Mr. Hodges made a statement just yesterday right on that point. He said he did not think the steel strike of 1962, if there is one, would be as long as 1959 because the Government would move in promptly. This is what I have been trying to say.

You are being forced, you, the Government, are being forced, into adopting a national wage policy, a coercive national wage policy.

Representative WIDNALL. Well, now, isn't this also going to take place as we get into a freer trade with other countries, and if we have a program, such as seems to be in being now, to modify our tariffs, to promote this free trade, and then give business a subsidy, at least a temporary subsidy, when they are hurt, now, isn't this again going to put the Government completely in business, so that you lose control of your own business?

Mr. SCHMIDT. Yes; I would think that this would be quite unfortunate.

I lean toward freer trade, and I think you maximize our own welfare and the world well-being by expanding world trade.

But I think it ought to be done on a gradual basis, and give plenty of notices so that the adjustments can be made.

But, to develop another new program of subsidies for American business could slow down the readjustment that will take place. You subsidize me in my poverty or in my unemployment, and you reduce my incentive to do something about my plight; and if a program of this kind is put forward, as I think is intended come January, I think it ought to be looked at with a very fishy eye.

You are going to have another "agriculture program" on your hands if you do not look at this one with a very fishy eye. You are going to have to have an exceedingly rigorous high standard to have anybody qualify, any businessman qualify, for this kind of subsidy, at least that is my personal view.

Representative WIDNALL. I have a feeling that the interjection of Secretary Goldberg into the Metropolitan Opera case will undoubtedly lead to Federal subsidy of all the arts.

Mr. SCHMIDT. We will have ballet—

Representative WIDNALL. So the Government will pay for your flute playing eventually.

Mr. SCHMIDT. We will have ballet dancers running out of our ears.

Representative WIDNALL. Off the record.

(Discussion off the record.)

Representative WIDNALL. That is all. Thank you very much.

Senator PROXMIRE. Now, with regard to Secretary Goldberg, you quoted Secretary Hodges and said that the steel strike would not be longer because the Government would arbitrate it, step into it.



Mr. SCHMIDT. He did not say arbitrate it; he said the Government would move in, I think.

Senator PROXMIRE. The Government would move in. I am sure you would not want the steel strike to be longer, you would favor action, whatever action we can take, at least within our own limitations, what you feel should be the limitations, on the Government's relationship to the collective bargaining process, to make the steel strike as short as possible.

You just told us that we have a situation, a *fait accompli* as far as union strength is concerned.

I disagree with much of your position, as you know. Nevertheless, assuming your position and, say, Secretary Goldberg had the same viewpoint you had about labor, he also has a duty at a time when our Nation is being challenged, as it is, by Soviet Russia, to see that our steel industry is not tied up for half a year or a year.

He also has a duty to the whole American economy, with the misery that a steel strike can entail.

Now would you say under those circumstances the Secretary of Labor should not use his good offices that he has—there is no coercion, this firm is not going to be fined by the Government, it is not going to be—he has no power, except that which Congress has given him, no power to step in and use his good offices. Secretary Goldberg does not have any kind of dictatorial power. At the same time, he is an extremely intelligent man who understands this process. This has been his lifework, and I think he has done a very, very great service to America in limiting these extremely extensive strikes to the shortest possible time and recommending solutions that both sides are willing to take.

What is the matter with that?

Mr. SCHMIDT. Well, I think he has done a disservice to the country. For instance, you remember the tugboatmen's strike? Everybody hailed him for terminating the strike. Well, it is good to terminate the strike, but it is like World War II, what was the purpose of World War II? To bring the war to an end, or was it for the sake of the postwar? And Mr. Goldberg is always bringing strikes to an end at a price, and to this day the conditions which led to the strike have not been resolved by the tugboatmen, and a year or more ago we heard so much about the uneconomic practices in the steel industry which a committee was supposed to look into. Nothing has happened.

We have featherbedding in the railways running over \$500 million per year. Sure, you can buy peace, you can always buy peace, but at a price.

So I would say before we pat Mr. Goldberg on the back, we had better ask which is the important thing, to get the men back to work at any price or is it equally important to get them back to work at a price that we, as a nation, can live with in terms of remaining competitive.

Senator PROXMIRE. You have the same position with regard to the action of Vice President Nixon and Secretary Mitchell with regard to the steel strike in 1959?

Mr. SCHMIDT. Yes; I think it was very bad.

Senator PROXMIRE. Well, in these decisions, whether they are bad or not, it seems to me, the Secretary of Labor has to specify to us on the record what coercion he has used, what compulsion he has used. Actually he has simply used his good offices—his good offices as a man of prominence and a man of intelligence and a man of fairness—to suggest how they might work it out. I cannot see anything wrong with it. I have not heard either side complaining in these things, that he used an iron fist or that there was any charge on the part of the President that he would lock up the plant or on the union that he would draft them into the Army. There has been none of that.

This has been simply an effort on the part of a Cabinet officer of great intelligence and of deep interest to help solve strikes that could seriously damage our country.

I think your statement that when a strike is settled on the basis of collective bargaining without the Government, it is better than when the Government is in it, and I agree that that is right. I think the Government should not take part in any of these situations if it can help it and I am sure Goldberg would agree.

But the public has a very deep interest. This is not simply management and labor, as you say, quietly settling this dispute, because there is another group far bigger, and in many cases far more important, that is involved, too; isn't that correct?

Mr. SCHMIDT. Well, I think I agree with virtually everything you are saying except that if you really believe what you are saying about Mr. Goldberg, and I do not want to make this personal, I would say: "Well, why not use the mediation service of the Government? He is doing nothing but bringing mediation, why not use the mediation service of the Government?" You see, this is not correct.

He is bringing the prestige of the White House, he is bringing the prestige of the Cabinet officer into the fray, and nobody likes to say "No" to the President of the United States or a Cabinet officer publicly unless the compulsions are terrific. So this is a form—

Senator PROXMIRE. I think there are many people, you are one of them, and there are many other people of courage who are willing to stand up. I am willing to say "No" to the President, and I have said "No" on the floor of the Senate. I said "No" to one of his appointments. I talked for 26 hours, and I am sure plenty of businessmen and plenty of labor leaders who will say "No" when he is wrong, and say "No" to the Secretary of Labor.

Unless there is some indication of any real force or compulsion or some sanction, this Goldberg action would seem to me to be a service.

But Goldberg has done a lot to put out strikes which could be very damaging, without any evidence damage, to either side that I have been able to see, either develop statistically, politically, economically, morally, or any other way.

Mr. SCHMIDT. Well, I would love to agree with you on this point. As I say, I start with the assumption that we are in a much more difficult bind than people realize on the international balance-of-payments situation.

Therefore, what have we got to do? We have either got to cut down our foreign commitments or we have got to have some kind of regimentation of foreign exchange or we have got to get our costs down.

Now, getting costs down is the voluntary way, the good efficiency way, of trying to maintain our balance of payments; that Mr. Goldberg steps into a labor dispute with fanfare, speechmaking, television, and so on, and this is more than a quiet meeting where he tries to compose the differences, and so on.

This is different from a mediation service.

Senator PROXMIRE. Well, let me say if you suggest that we should have quiet collective bargaining, with a minimum of public interest and, at the same time, take away any sanctions labor has, then you have a situation in which you are not going to achieve the kind of wages which may be fair in terms of equity and justice.

The one force that labor can count on other than the strike if it is going to have any kind of a future in collective bargaining, is public opinion, and they should not negotiate in a vacuum without the public knowing what is going on.

At the same time, public scrutiny represents a sanction on labor in case their demands are excessive. So when the Secretary of Labor steps in and spotlights the situation, lets the public know, the newspapers know, everyone know what the settlement terms are, what the issues are, people pay attention to it.

Then it seems to me that the public interest, which wants equity and justice as well as fairness to itself, is likely to be more effective. I cannot see that this is an abuse of public policy.

Mr. SCHMIDT. I think it is very dangerous because supposing the union then ignores him.

Senator PROXMIRE. That will happen in the future. I'm sure it has happened in the past.

Mr. SCHMIDT. This will lead toward more and more in the direction which I stated that we are drifting toward the coercive, some form of coercive, national wage policy, simply because we have not got the courage to disperse and diffuse undue union power.

Now, if, for example, we applied the antitrust law to the unions, and if we had a whole series of labor unions in the steel industry not connected with any international, and let one strike this plant this week, and another one strike another plant a month later, and so on, then I do not think you would argue that the national interest is put in jeopardy by this kind of thing.

So I was saying, let us get at the root of this national interest, let us get at the root of the cause of the concern over collective bargaining, rather than have Mr. Goldberg running around putting out fires, because we are going to have a lot of fires to put out, and he is just one man.

Senator PROXMIRE. I think our viewpoints are pretty clear on this. I would like to come to another part of your statement which, I think, is very interesting, and it is with regard to tax policy.

You say that depreciation policies of our Government are, perhaps, the most rigid and backward among all industrialized countries. You go on to say that an income tax is a tax or a penalty on effort, performance, and success, and then you suggest because of the Kuznets study which shows a sharp dropoff in the percentage of the national income devoted to capital investment, that what we might do to help provide more jobs is to adopt more generous depreciation policies, a greater incentive for investment in plant and equipment, thereby putting people

to work in restoring the kind of relationship we had before. I would like to ask two questions in connection with that:

No. 1, don't we already have excess capacity? Is it not true that in most of these areas where we have had most of our problems, steel, autos, et cetera, we have not a deficiency of capacity but an excess capacity; therefore, that it would be very hard to provide any incentive for people to build a plant that is not going to be used when they already have a plant?

It is true there might be some modernization or automation improvements which, incidentally, would not put them to work in the long run, but in terms of expanding equipment, don't you have to start with a market; don't you have to have something you want to sell to?

Mr. SCHMIDT. Excess capacity is something we do not really know very much about. It is amazing how quickly as you go from, say, our present level to a little higher level, how high-cost capacity has to come into operation, and the paper industry right now is running at about 90, 92 percent of capacity, this is about the rate they like to run at in most cases because you have to have machinery for breakdowns, to meet peak loads, and so on.

So 100 percent capacity is never intended or almost never intended to be utilized, 100 percent indefinitely, continuously. This is not the way the businessman works. He feels he needs some excess capacity.

Now, in steel, the U.S. Government informed the steel industry unless they created standby or excess capacity to meet international emergencies the Government itself would have to build steel mills, but it is interesting to notice that the new investment projected for 1962 in the steel industry is, I believe, the highest dollarwise of any major industry in this country, in spite of the fact that, as you say, there appears to be excess capacity.

Why is this? It is partly modernization, it is partly relocation, and various facilities which they have not had to do certain things. Steel is being more refined, more alloys, refined uses, so I think, in general, you could say we have a little excess capacity, not very much.

But you could also say we have excess labor. What can you do with this excess labor? The problem is to get the economy functioning. So that is the point you bring up which is, of course, one reason why I put this paragraph in my statement that the businessman has a responsibility to be innovative and get his marketing people and his advertising people active to see where the new wants are to be uncovered, and to give better values.

I know that none of my friends, very few of them, are living as affluently as they would like, and by developing new services and new products to meet peoples' needs, there is a tremendous potential.

So even if you have excess capacity in a given product or a given line, this does not mean that you have really done the job that could be done if the new investment were geared in the proper direction.

Senator PROXMIER. Well, it may be. But it just would seem that the first element you require to build a plant or build any other element of production is the need for it. Whatever incentives you provide, if there is no market, then it would seem to me it would be hard to argue that you should construct it.

Now, as far as your percentage is concerned, you say 13 percent was devoted to capital investment in the 1870's and 1880's, and 5 percent

now. Isn't that a little bit like comparing the situation here with the situation in Western Europe? The situation now is fantastically different than it was in the 1870's and 1880's. There is almost no kind of economic comparison, it seems to me, which would be valid because it is so greatly different.

I think a comparison between our capital investment with that of Belgium or Holland or even India would be more appropriate. After all, we were a country 60 years ago entirely different than our Nation is today in many, many respects.

Furthermore, one of the great difficulties that was argued, validly or not, accepted by, perhaps, most people was that in the twenties we had a deficiency of demand, and an excess of productive capacity, an excess of production, and this is one of the things that many people argued led us into the depression of the thirties and, therefore, the situation remedied itself by developing our country into the No. 1 consumption economy of the world. We developed a tremendous capacity for consumption, and this has been one of the reasons why we have had a far lower level of unemployment in this period when we had in the period of the thirties; isn't that right?

Mr. SCHMIDT. No, I do not think so. I think the thirties was a deep depression, we were in a special situation; whereas in the last 15 years we have had four mild recessions, pretty good recoveries, not quite complete recoveries in the last two recessions.

So I do not think there is any analogy. We had a fundamental breakdown of our whole financial structure, our international monetary system broke down, our own financial system broke down in the 1930's, so I do not think you can draw any analogies or comparisons.

Senator PROXMIRE. Well, except one of the reasons it broke down was because we had this heavy concentration on capital investment in relationship to the capacity to consume, and I know you vigorously disagree, but one of the actions which has been taken and has changed the whole face of America and our whole economic system is that today as contrasted with the situation then we have high wages, much higher than before; we have strong unions which we did not have then at all, and we have an economy in which the individual producer consumes more than he ever did before, and most of our market is a domestic market. Therefore, the capacity of the producer to consume, and the producer is a wage earner, is a very vital element in providing a market for the productive facilities.

If you argue that the producer is consuming too much because his capacity to demand a higher wage is too excessive, then it would seem that it would follow, to me, to cut that capacity to consume down, you are going to evaporate your market, not expand it, and you are going to have less demand for capital equipment and machinery.

Mr. SCHMIDT. Well, I think the market—

Senator PROXMIRE. Because I think it is both sides. I think you argue properly that too many people ignore the cost aspect of the minimum wage, the cost aspect of collective bargaining, and, perhaps, too many people do.

But, at the same time, I think you are completely ignoring, and maybe I am unfair, I hope not, you are completely ignoring the consumption side of increasing wages. Those wages are spent mostly; they are consumed. They represent an increase in the market.

Now, is it not true that a balanced picture would recognize both?

Mr. SCHMIDT. Oh, yes, indeed. Certainly there is no point in producing unless you can sell, and there is no point in producing if nobody has the wherewithal to buy it, namely, 100 percent.

My point was that if you had broader markets, if you somehow have slowly falling prices on the average—so slowly that people are hardly aware of it—then you would bring in these old folks who are retired, you bring in the other people who live on more or less fixed incomes, the foundations and various other groups who are also in the market for goods and services; whereas if you allow wage settlements due to the improper working of the labor market, which causes prices to rise, you are always pricing some people out of the market, and so I think you actually would have broader markets if you went the reverse way from what you are talking about.

Senator PROXMIRE. Well, we make the situation more comprehensive, it seems to me, and what we have been doing is increasing consumption power over that held by the old folks by increasing the benefits of social security pretty sharply.

Mr. SCHMIDT. But those are transfer payments.

Senator PROXMIRE. But by this we are broadening the market. There are 11 million people. These are most of the people over 65 in the country, two-thirds of them.

Mr. SCHMIDT. But they are deductions from purchasing power from people paying taxes and income to the people who are the recipients.

Senator PROXMIRE. That is true. But what I am talking about is if you are broadening the market you bring everybody into the market. You cannot say these policies of increasing social security benefits are excluding the people who are outside the active producing market. We are bringing the older folks in.

Let me just move on to something else, and I apologize for keeping you so long, and I will not be much longer.

You argue that it is hard to understand how any thinking person concerned with unemployment can support minimum wage legislation which will bar workers from jobs unless they can find an employer who is able and willing to pay the minimum.

I would argue that this ignores the consumption side. But then you quote Senator Paul Douglas as being in support of this general position, against the minimum wage, but in support of the position that you take, which contradicts the minimum wage, saying if you increase wages above marginal productivity you tend to disemploy people.

Well, No. 1, Senator Douglas is a man, I think, of great integrity and honesty. He is also a man who is a champion of the minimum wage; he voted for it, fought for it all the way, and I would say that this statement here is out of context in the sense that you fail to show that the increase in the minimum wage is necessarily an increase above the productivity of the people involved. It may be.

But I have never seen a study showing that the increases in minimum wages, and we have had a lot of them, 25 cents to 40 cents, 40 to 75, 75 to a dollar, that any of these have specifically thrown people out of work.

Mr. SCHMIDT. Well, if you look at the labor force you have a spectrum of people from geniuses to highly competent people, highly

skilled people, semiskilled, unskilled, and very unskilled, and the very marginal, and then almost unemployable. That is what you have in the labor force.

A minimum's first impact, of course, at this lower level where the ability, skill, emotional stability, or whatever the factor may be which makes a person a poor employment risk, you raise the wage and you put an incentive on, whether it is in the Government or whether it is any other employer, to minimize the use of labor that you think is not worth what you have to pay for it. This is just logic. I do not see how you can escape this.

Senator PROXMIRE. Let me suggest how you might escape it. You have indicated to us all along that you feel the people who are getting more than they should get in terms of their productivity are union members. You will not find many union members who are affected by the minimum wage. These people are not union members.

Mr. SCHMIDT. Yet they always, union officials always testify in their behalf.

Senator PROXMIRE. I know they do. They testify to the effect that the minimum wage puts a floor under all wages.

As far the minimum wage is concerned, what we are talking about here, these are people who have had very feeble representation or, I should say, no representation at all, because by and large, they are not people with a great deal of education or personal force or they would not be in the position they are, and are likely to be exploited, are likely to be employed at wages less than their productivity merits.

So I would say, in general, you would conclude that these are not necessarily poor workers. They may be very hard workers and diligent workers. They just happen to be workers who do not have any marketing power.

Mr. SCHMIDT. Well, it is not marketing power; it is merit to sell their services.

Senator PROXMIRE. All right, merit to sell.

Mr. SCHMIDT. It is skill to sell.

Senator PROXMIRE. Skill to sell themselves.

Mr. SCHMIDT. Well, it is skill to sell their services.

Senator PROXMIRE. All right.

Mr. SCHMIDT. And the reason they have so little is there is little demand for it relative to supply, and if you really think—

Senator PROXMIRE. Not necessarily. Let me give you an example of people who are outside the minimum wage, agricultural workers.

Last year we passed a Mexican labor bill to permit the employment, the introduction into this country of some 400,000 to some 500,000 Mexican workers at 50 cents per hour.

Why? Because they said there was a need for them, we had to have them. And yet we have hundreds of thousands of agricultural workers in this country who are out of work. Now, there is a need for their work. There is such a need for it that they have to go all the way down to Mexico and subsidize the importation of these people.

Of course, I was bitterly opposed to the bill, but nevertheless this bill was passed. It is the policy of our Government to import these people.

There is a need for their labor, but we do not permit these people to put themselves in an organizing position or a negotiating position or

in a legal position where they can receive a wage which is either commensurate with the need or commensurate with justice.

Mr. SCHMIDT. Well, I do not like to talk about the need or justice in an economic analysis. You may want to do something about the results of an economic situation, but you ought not to do anything which makes it tougher for those people to get satisfactory work and remuneration by overpricing them. That is all I am saying.

It would be much better if you subsidized the very poor directly rather than to price them out of the labor market.

Senator PROXMIRE. Well, except that subsidy is really likely to destroy their self-respect, put them on a permanent dole.

Mr. SCHMIDT. Do it in an indirect way if you can. We can think up something. But I want to say this, I do not think you can, in an economy that is really working well, reasonably full employment such as we have had roughly in the last 15 years, you really cannot exploit labor and you cannot pay labor less than its productivity, because the employers are always looking for opportunities to expand, and as they expand they will have to lure workers away from some other place.

Senator PROXMIRE. Of course, the answer there goes right back to what you mean by "reasonably." I am sure people would argue that we have not had anything like a reasonably full employment economy. When we have 6 to 7 percent out of work or even when we have as much as 4 or 5 percent out of work, there is a surplus of labor and an availability of labor supply, and it is possible, if you have no safeguards for employers to exploit labor, particularly in view of the fact that employers always have on their side or are likely to have on their side, if they are big employers, the legal know-how, the legal capacity, and the capital to hold out. They do not have to necessarily hire—they have all kinds of advantages which, in the view of many of us, were the reasons for our labor relations laws which encouraged union organization.

Mr. SCHMIDT. I do not think that is true, except in, say, one-industry towns. I think there the employer does have a relative advantage because of the relative immobility of the worker. But the USES was supposed to make the labor market function better and give notice of employment opportunities, to make labor more mobile geographically and occupationally.

If you really think you can exploit labor or pay less than it is worth, you can become a millionaire, because all you need to do is keep adding these people, and you make a couple of bucks per day on each and just keep adding, and you will be a millionaire.

Senator PROXMIRE. We have more millionaires now than we have ever had in our history, by far.

Mr. SCHMIDT. Yes in rubber dollars.

Senator PROXMIRE. I have just two more quick questions, and one relates to your table where you have the changes in employment for organized and unorganized sectors.

Mr. SCHMIDT. Mainly.

Senator PROXMIRE. Mainly and, I suppose, there was a purpose of your putting this in, although you said you could not construe from this that you would not have had the same pattern anyway.

Let me say it might be interesting to you to know that on the basis of these statistics that are evident in the economic indicators that in



spite of the fact that the mainly unorganized workers did not have the so-called cost-push factor, in spite of the fact that unions are not common in these areas, by your own definition, that prices of what these unorganized workers produced since 1950 increased 40 percent, by and large, while the prices of the mainly organized increased 16 percent since 1950.

Mr. SCHMIDT. It depends on your base. You can figure it in all sorts of ways, depending on the base that you use.

Senator PROXMIRE. All I am doing is taking the table in the economic indicators which shows what happened to the price of services and to the price of other commodities, and you will find services increased much more rapidly.

Mr. SCHMIDT. Are you talking about the GNP figures or the trend of cost figures, or what?

Senator PROXMIRE. No, I am talking about——

Mr. SCHMIDT. Or the wages?

Senator PROXMIRE. What is the page?

Mr. KNOWLES. This is the Consumer Price Index, the two——

Mr. SCHMIDT. Oh, sure, yes.

Senator PROXMIRE. It is on page 23.

Mr. SCHMIDT. Yes.

Senator PROXMIRE. Services; commodities have gone up from 101 in 1950 to 118; services from 108 to 153.2.

Mr. SCHMIDT. This depends on what goes into the services. We have got a lot more of——

Senator PROXMIRE. Sure. But, in general, in services, as you say, they are mainly unorganized, but in the other commodities they are mainly organized.

Mr. SCHMIDT. But, you see, assuming there is anything to this table, we would have had even lower rates. In other words, we would have gotten the benefit of the larger scale production in these commodities, and the prices would have been a little lower, and we could have spent still more in services or various other activities and employed more people there, if that is the way the economy and consumer preferences tended to drift.

Senator PROXMIRE. I see that. But certainly it would seem to me this tends to undermine your argument that where you have a concentration of this excessive union power which you feel is the main difficulty in our employment, that you necessarily have any rocketing prices.

It is still possible to employ automated equipment, and so forth, and maintain a price that is lower than the other commodities in which labor is not organized.

Mr. SCHMIDT. Of course, in some cases the service has been greatly improved in quality. For instance, hospitals are in here, and their services have been greatly improved. That used to be childbirth 2 weeks——

Senator PROXMIRE. The consumer price indexes are said to be the best in the world. We had our testimony on that just during the last session, and this should be taken into account, where the quality change is measurable, and in many cases it is. It is true some quality measurements are not. But in very many cases they are.

Mr. SCHMIDT. Well, the figures are not generally corrected for quality changes.

Mr. KNOWLES. I may remark that Mr. Schmidt is right in one respect, that some witnesses definitely stated in those hearings, Mr. Chairman, that there were a number of areas in our various price indexes in which there could be real questions raised as to whether there was sufficient correction made or could be at the present time, with present known techniques of index number construction, for changes in the quality of the goods and services being priced.

This is a very tricky area to make sure you are pricing exactly, let us say, the same quality refrigerator in two periods, which is, perhaps, a little easier than to price the same quality medical service in two periods, but both of them are pretty tough, and the Bureau does as much as it can on this.

But the general consensus was that this was at least open to question, and I think you would have to say that this was true, that some of the price specialists who worked on this committee under the National Bureau of Economic Research felt that this was particularly true of durable goods, both capital goods and consumer durables, and of services of various sorts, not merely consumers.

Senator PROXMIRE. They would be in both categories, then.

Mr. KNOWLES. But the point of the matter is, and this is something I have been interested in for a long time, I think I have sat in all of the discussions on this which have taken place for a decade or more, and I think my inclination would be to say if this was fully taken into account as far as we know at the present time, it would not bring both of these series down, and it would still leave the services increasing relative to goods. However, not merely consumer services, but in the economy as a whole, services would have gone up more rapidly than goods in the last, say, 20 years. I have no doubt this would be true for, say, the last 30 or 40 years. This would be true precisely because it would take this price change to draw the resources over to the services which are experiencing expanding demand.

In order to get them over there you have to pay a price to draw the resources and the efforts out of one field into another.

As economists have always taught us, if you want to get something done, pay for it. One of the ways you pay for it is to raise the relative price, and I have no doubt since the services were the place where we have had the expanding demand and since resources have been shifted over there, somebody paid a price for it.

I therefore, suspect when you finish correcting the indexes, as well as you can, the services would have been moving up more rapidly, and I am much more sure of this when I look at the employment figures because if you take the table which Mr. Schmidt has submitted, and look at the same categories over 50 years, not 10 or 15, but 50, the same thing has been occurring, the same types of things.

Senator PROXMIRE. But during most of that period both were mainly unorganized.

Mr. KNOWLES. That is right. I think we have a very difficult problem here. We went into this at length in the study of employment, growth and price levels in 1959, and had the people who had spent the most time at universities and were as nearly objective as we could find, as well as labor and management viewpoints.

We did not find any of them who could present any evidence that would really stick that would show that the organized industries had any different wage pattern or price pattern than unorganized labor.

This is due to a number of factors. One is that it seemed pretty doubtful that it ever occurred. But the principal thing in my own mind, not in the minds of the witnesses, by the way, but in my own mind, was that the organizing trend occurred precisely in a direction and place in the economy where it coincided precisely with the big, powerful, overwhelming set of market forces moving in the same direction. Since they were all moving in the same direction, the poor statistician is trying to disentangle more or less which drop of water in a stream going downhill at a very fast pace was the one going down there for a particular reason.

Well, you can expect a lot out of statisticians, but I really think that this is a case where much as I would like to have the answer, and the members and the chairman were wishing we had it, I really think we are asking the statistician to do the impossible, to disentangle the different drops of water in a stream going downhill.

Senator PROXMIRE. Nevertheless, what you have said, it seems to me, goes to the very heart of the testimony of Dr. Schmidt this afternoon, and that is there is not much difference, if that is the conclusion, and that is the best evidence you can get, between organized and unorganized, the prices in organized and unorganized industries, then the charge that it is the power of unions that has priced labor out of the market just goes out of the window, and we have to look elsewhere to find some solution to this unemployment problem.

Mr. SCHMIDT. Well, I would put it a little less—I might put it a little less negatively, although, as the text points out, this is something to be looked into, and it is interesting, and it just does not prove very much.

Senator PROXMIRE. OK. Let me just say—

Mr. SCHMIDT. I also would like to add one thing. You have to look beyond wages, you have to look into fringe costs and featherbedding. These are very important disemployment factors if they raise production costs and, therefore, prices have to be charged in the market.

So wages alone are not the whole thing, not even fringes are the whole thing. Featherbedding may be very important. I think it is expected that by 1970 a fifth of our new housing starts will be prefabricated partly because of inefficiency, partly management, and partly unions, construction.

Senator PROXMIRE. Now, there is an indication that what you have been telling us is not working because they are being prefabricated. Why? They are being prefabricated—

Mr. SCHMIDT. Because the cost is lower.

Senator PROXMIRE. Yes, I presume because union power is so great it has driven up the prices of building on the site. Therefore, they build under other circumstances where they may have unions operating, but you do not have the restrictions imposed by unions.

Mr. SCHMIDT. Or the efficiency may be greater.

Senator PROXMIRE. Or the efficiency may be greater. At any rate, unions have not stopped this progress. They have not stopped, therefore, a more efficient product at a more efficient price coming on the market. In spite of this union power you are still making the progress which we all agree, I think, is desirable and necessary.

Mr. SCHMIDT. I think we are fortunate, by and large, that American labor leaders have not been restriction minded, by and large, contrary to, particularly, the British labor movement.

Senator PROXMIRE. Dr. Schmidt, I think this has been a very interesting discussion. I have one more thing, but I will skip it.

This has been a very interesting afternoon, and I am delighted that we end on that note. I am delighted to hear from your lips praise of labor leaders as we terminate and end on that note this afternoon.

Mr. SCHMIDT. If they would renounce all force and violence, I would love them.

Senator PROXMIRE. The committee will resume hearings tomorrow morning. The first witness will be Dr. Raymond Bowman, who will be followed by Mr. Robert J. Eggert.

(Whereupon, at 4:30 p.m., the subcommittee was recessed, to reconvene at 10 a.m., Wednesday, December 20, 1961.)

## EMPLOYMENT AND UNEMPLOYMENT

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WEDNESDAY, DECEMBER 20, 1961

CONGRESS OF THE UNITED STATES,  
SUBCOMMITTEE ON ECONOMIC STATISTICS  
OF THE JOINT ECONOMIC COMMITTEE,  
*Washington, D.C.*

The subcommittee of the joint committee met, pursuant to recess, at 10 a.m., in room 4221, New Senate Office Building, Senator William Proxmire (chairman of the subcommittee) presiding.

Present: Senator Proxmire and Representative Widnall.

Also present: Senator Clark, of Pennsylvania.

Also present: Richard J. Barber, clerk, and James W. Knowles, staff economist.

Senator PROXMIRE. The subcommittee will come to order.

We are very happy to have Dr. Raymond T. Bowman, Assistant Director for Statistical Standards, Bureau of the Budget.

Dr. Bowman, you have a statement of 22 pages. You may proceed in any way you wish. You may either read it or summarize it. I have read the statement, and I think it is an excellent one, and very helpful.

### **STATEMENT OF RAYMOND T. BOWMAN, ASSISTANT DIRECTOR FOR STATISTICAL STANDARDS, BUREAU OF THE BUDGET, ACCOMPANIED BY MARGARET E. MARTIN**

Mr. BOWMAN. I think I will read it, Mr. Chairman. It is very short. But I hope you will interrupt me at any time so that I can add to any of the statements if you wish me to do so.

Mr. Chairman and members of the subcommittee, it is just 6 years since I testified before this subcommittee on the subject of employment and unemployment statistics. In that time we have experienced two recessions: the first extended from July 1957 to the low in April 1958; the second from May 1960 to the low in February 1961. The recovery since February has been sizable in output but significantly lower in employment, with unemployment remaining substantial—the rate standing at 6.1 percent in November. During the recovery following the 1958 low, the seasonally adjusted unemployment rate did not go below 5 percent. I have listened to the discussion before this subcommittee with great interest and commend the subcommittee and its staff for the contributions it is making and encouraging others to make in analyzing the problems of employment and unemployment and bringing the issues before the public.

You have asked me to appraise the Government's programs covering labor force, employment, and unemployment statistics. Much

though I enjoy using the statistics in the appraisal of the economic situation, I shall refrain at this point, and comment instead, as you asked, on the employment and unemployment statistics which the Government provides and which the economic analyst may use as tools.

Senator PROXMIRE. Incidentally, Dr. Bowman, I am sure Senator Clark would not object, and I would not object, if you would like to appraise the unemployment problem that confronts us and alternative Government policies to meet it. I think that would be helpful to us. We need constructive advice on this situation.

I may say that I am very discouraged so far on the answers we have had. Although they have been very sincere and able people, I think they were miles away from any satisfactory solution to this problem.

Senator CLARK. I agree.

Mr. BOWMAN. My duty is to provide the statistics.

Senator PROXMIRE. Evaluating the soundness of the statistics is the important function of this subcommittee. Unless the statistics are right, policies are bound to be uninformed and unwise.

Mr. BOWMAN. When I testified before I had just received a report which made a number of suggestions for changes and improvements in the Government series on employment and unemployment. This report was the result of intensive work on the part of an inter-agency committee called the Review of Concepts Subcommittee, which reviewed the concepts and methods used in the four major current series on employment and unemployment, assisted by the comments, suggestions, and criticisms of a wide group of users who were consulted, both within and without the Government. I included the Subcommittee's report in my testimony at that time even though it had not been yet accepted by the Federal agencies responsible for the four series. Since then, the report has been reviewed, almost all of the recommendations accepted, and many put into effect. In fact, looking back over the last 6 years, it becomes evident that the report served as a blueprint for much of the improvement which can be noted.

It therefore seems to me that the subcommittee might be interested in a statement on the progress made in adopting the recommendations included in the report. I propose to note the highlights here and also to comment on other changes which have occurred, even though they were not recommended by the Review of Concepts Subcommittee. For those who are interested in an exact statement of the recommendations of the Review of Concepts Subcommittee and the progress made thereon to date, I have prepared a summary which I should like to append to the end of my statement, if I may.

Senator PROXMIRE. Without objection, we will include that summary in the record together with your other material at the end of your statement.

Mr. BOWMAN. As you know, the problem of concepts is a troublesome one in the field of unemployment statistics. Many people have honest doubts if the concepts we are now using are the best that could be devised. Others fail to distinguish between the quality of the statistics and their attitudes toward policies which may be based on the statistics. Still others, who might be well pleased with information now regularly published on particular groups among the em-

ployed or unemployed, fail to take advantage of the information already at hand and instead demand that changes be made in the statistics. In order to provide a review of high technical competence and professional authority, the President has just appointed a Committee To Appraise Employment and Unemployment Statistics. This Committee is composed of men from outside the Government who are either academic economists or experienced users of the data. Although the Committee was appointed at the suggestion of the Secretary of Labor, it will be completely independent of the Government in its deliberations. For "housekeeping" functions only, it will be attached to the Bureau of the Budget. I intend to do everything in my power to facilitate the deliberations of the Committee and at the same time make sure that it is completely free to make any recommendations for changes and improvements which it chooses. I shall await its report with great interest.

However, as Assistant Director for Statistical Standards, with the central responsibility for improvement of the Government's statistical program, I wish to give you a forthright appraisal of the statistics we now have from my present viewpoint of our needs and uses.

Thus, let me state unequivocally that although I can respect honest differences of opinion over the concepts which should be used, although I welcome continued interest in and attention to such major statistical series, and although I believe that improvements in detail can and will be made, it is my considered opinion that our employment and unemployment statistics are basically sound, use concepts which are suitable for the major purposes for which they are wanted, and provide an enormous amount of useful detail which throws additional light on labor market problems.

Senator CLARK. Might I interrupt to ask Mr. Bowman if he would mind stating for the record at this point his own experience in Government, because I think it will demonstrate that he has been a civil servant serving under both Republican and Democratic administrations, and this last very significant statement he made cannot in any way be charged as being either politically dominated or influenced by the policy of this administration as opposed to its predecessors.

Senator PROXMIRE. Proceed, Mr. Bowman.

Mr. BOWMAN. I would be glad to do so.

My experience in this area goes back a long way. I am not going to burden you with a full history. But in 1934 I first came to Washington to work with what was then called the Central Statistical Board. This was the first effort to introduce some central management into the statistical program of the Federal Government. In the area of unemployment statistics I had an interest over many, many years, because some of us still are not so young that we cannot remember 1929, 1933, and 1934.

And, at that time, I was working in the assistance area in the State of Pennsylvania, first with the Democratic administration under Governor Earle, and later on in the Republican administration under Governor James. Those of us who remember the hectic days of the depressed 1930's know the difficulties that were encountered in getting any reasonable estimates at all of unemployment. They ranged widely. We had estimates by the American Federation of Labor, we had estimates by a person you all know, Bob Nathan, but there was no

agreement at all on the magnitude of the level of unemployment. In fact, the survey which we are now reviewing was initiated by the WPA as a way of attempting to measure unemployment more satisfactorily.

The series was developed by the WPA, reviewed by the Bureau of the Budget and other statistical agencies, and finally adopted as one of the methods which we wish to use to gain clear insight into the labor force and the components of the labor force that are employed and unemployed.

You may remember that during the period of the depression there were large numbers of people looking for work who had never worked before. And many people thought, such jobseekers shouldn't be counted as unemployed because they had never worked, that is, they couldn't be "disemployed." But such people were certainly part of the active male and female population of the United States seriously looking for employment.

It was there that we developed the concept of the labor force and the household survey for measuring those who want work and have it and those who want work and are looking for it and do not have it.

Senator CLARK. Whether or not they need it?

Mr. BOWMAN. Whether or not they need it.

And I will say something about that a little later.

Senator PROXMIRE. In relationship to that, what degree of reliability would you place on the statistics we have in the unemployment of the 1930's that we now use that were commonly discussed? You say there would be a margin of error of 10 percent, 20 percent, or would it just be so great that we might as well forget it?

Mr. BOWMAN. I think the margin of error is much less than 10 percent. I think the margin of error is relatively small, and in terms of the movement of the series, we have an accurate estimate of the way in which employment and unemployment are moving.

Senator CLARK. Mr. Chairman, didn't Mr. Clague testify that in his judgment the margin of error was certainly no more than 5 percent and probably less?

Senator PROXMIRE. I think he was talking about something else, I think at that time he was talking about the margin of error in his own survey, depending on the number of people who are interviewed, and he was comparing the margin of error if he had 35,000 or if he had fewer.

Mr. BOWMAN. I would like, if I may, to say a few words on what he was commenting on. This is what is called sampling error.

There is a great deal of confusion about it. At present levels of unemployment, the sampling error of the unemployment figures is about 2½ percent. Generally speaking, this means that had a complete census enumeration been taken using the same methods and asking the same questions, we would expect the number of unemployed obtained in the sample to come within 2½ percent of the census results two chances out of three. It should come to within 5 percent of the census results 19 chances out of 20.

Now, many people interpret this to mean that the true figure is necessarily within 2½ percent of the figure that has been reached by the sampling method. Now, that isn't true.



If the respondents have not told the truth, if the questions have biased the answers, the sampling error only tells you that if you made a complete enumeration, using the same questions and getting the same answers, the chances are two out of three that the results would not deviate from the ones you have in this sample by more than 2½ percent.

Senator PROXMIRE. What my question related to was the error in the figures that were derived before you had any kind of approach like this, before you had the household survey.

Back in the thirties when you had all these estimates which varied so much between Nathan and the A.F. of L. and business people and so forth, I am saying that the statistics could not be relied on.

Mr. BOWMAN. In that case, the error was as much as 25 percent.

Senator PROXMIRE. What I am asking is, How reliable are the figures from the thirties now available in Government publications?

Mr. BOWMAN. The ones available in Government publications are based on estimates made recently, to a considerable extent, by a person in my office, now on leave of absence to Stanford University, Mr. Stanley Lebergott. They were built up from present concepts, going back from 1940 to 1929.

We think these estimates are well within reasonable limits of error. But they were based upon a considerable amount of data which were not available in the thirties themselves and which have now been incorporated in the series. So we have a good indication of the movements of employment and unemployment since 1929, moving back from the beginning of this survey, which gives us no data before 1940.

Senator CLARK. Let us get back to your own career.

You left us in midstream.

Mr. BOWMAN. My work then in the area of unemployment was tied in with the public assistance administration in Pennsylvania, beginning in 1935, when I worked with the State emergency relief administration.

And then when the Social Security Act was passed, and it was necessary to organize public assistance departments in the various States, I made the first estimates for the level of relief in Pennsylvania for its first biennial operations under the new department of public assistance. At that time, Karl de Schweinitz was the first secretary of public assistance in Pennsylvania. At that time, I knew something about the dearth of information on unemployment.

My job was to estimate what the relief figures would be like in the period 1937, 1938, and 1939, I believe, in part.

We had no unemployment figures of any consequence. We had no good unemployment figures. And we had practically nothing for individual States. So I had to concoct an estimate of unemployment for Pennsylvania. And then I had to do something else that I think I will mention very briefly. This does get at the point—are the unemployed always in need? And I divided the unemployed into three categories. First of all, I stated the unemployment in terms of households. And then I indicated those households in which there was more than one person available for work, of whom some might be working, and then finally those households in which all the available workers were unemployed.

And this was the area from which the relief rolls would be picked; in other words, people didn't get on relief if they had more than one employable in the household of which one, perhaps, was working. The relief rolls only picked up that part of the employed where all the employables were not working, or where there only was one employable and he wasn't working.

And I tried to make the estimate on that basis.

Some of you may remember that 1937 was a pretty good year; 1938 was not such a good year.

At the time I made the estimate, there had been some anticipation that 1937 would remain good but that 1938 might not. Very fortunately, I mentioned this in my estimates. And when subsequently the Governor ordered an investigation of the work of the department of public assistance and had 10 public accountant firms review the work, the estimates which I made were recognized as being valid, and to a considerable extent the statement that I had made that 1938 might be a recession year, and which I had made earlier in 1937, stood me in very good stead at that time.

Senator CLARK. Mr. Bowman, when did you go back to the Federal Government?

Mr. BOWMAN. I came back to the Federal Government in 1942, during the war period, and was here up until 1946.

Senator CLARK. In what capacity?

Mr. BOWMAN. I was, first of all, Chief of Staff of a division in the War Production Board known as the Stockpiling and Transportation Division, with Professor Elliott, from Harvard, as its head at that time.

I then at the end of the war went over to an office known as the Office of Contract Settlement and directed the research work of that Office.

Senator CLARK. When did you get back into statistics at the Federal level?

Mr. BOWMAN. Well, this was really always in statistics.

Senator CLARK. Unemployment statistics.

Mr. BOWMAN. Unemployment statistics?

Well, my direct association again with unemployment statistics was when I returned to the Bureau of the Budget in 1955.

Senator CLARK. And you have been there ever since?

Mr. BOWMAN. And I have been there ever since.

Senator CLARK. Thank you.

Mr. BOWMAN. May I go forward with my statement now, Mr. Chairman?

Senator PROXMIRE. Yes; you may.

Mr. BOWMAN. I want to be careful to read the statement that I don't believe I did read before, in addition to indicating that I believe we now have an excellent series. Furthermore, these series are developed by honest, conscientious, and competent employees of the Government, for whose integrity I have the highest respect.

Senator PROXMIRE. I want to interrupt you as little as possible because you do have a full statement, and we have Mr. Eggert coming up, but I think this is crucial. When you say honest, conscientious, and competent employees of the Government, you are referring, I take it, to the enumerators as well as the other employees who handle the statistics?

Mr. BOWMAN. Yes, sir.

Senator PROXMIRE. We had testimony from Miss Bancroft, that the enumerators were people who would put the person they interviewed at ease, they were housewife types, relaxed, friendly people.

On what do you base your assertion that they are competent, what kind of qualifications do they have to have, what kind of tests are given to them?

Mr. BOWMAN. Well, competence, of course, is the ability to do the job you have assigned to you. And I know that the Census Bureau has been making very extensive efforts to hire people and to train them and to supervise them in such a way that the results that we get are the results that we want and are measurements of the things we are trying to measure.

Now—

Senator PROXMIRE. Do you know how they are hired?

Mr. BOWMAN. They are hired on the basis of examinations which select those who have competence to do the job. I don't believe that they are civil service appointees, they are only part-time employees, but they are given tests, they are checked as to their competence to do the kind of work that is involved.

Senator PROXMIRE. You say they are not full time?

Mr. BOWMAN. Many of them are not full time.

Senator PROXMIRE. So they are housewives generally who will work 1 week a month?

Mr. BOWMAN. One week a month or 2 weeks a month, different periods of time.

Senator PROXMIRE. How much are they paid?

Mr. BOWMAN. I don't believe I know.

Miss MARTIN. \$1.95 an hour on the average.

Senator PROXMIRE. The same all over the country?

Miss MARTIN. I believe so. They start at \$1.81 an hour and are given increases for satisfactory work up to a maximum of \$2.12 an hour.

Senator PROXMIRE. Do you have trouble securing people who are competent?

Mr. BOWMAN. I don't believe so. The census had a great deal of difficulty, but I believe we have been able to do quite well in the household surveys.

Senator PROXMIRE. This is the reason I raise this point, because while Mr. Knowles is a very competent statistician, which I am not, he tells me that it is not shocking, it is what we expected, but I am deeply shocked that in 1950 the census actually counted the unemployment in the sense of going into every home, and their percentage was 20 percent below the BLS figure. I am assured by Miss Bancroft that the census people were not competent and the BLS people were. The census people were temporary people, too—I am sure that this has been looked into before—but I am sure on the record that the person who asks the question and his competence is so important, and this is such a terrific error, in my judgment, if we have someone to count \$100 and he comes up with \$80 the first time and \$120 the second time, you had better get somebody else to count it. This 20 percent is a great deal of difference. I wondered how you could assure us for the record that these BLS enumerators are competent people, in view of the fact that they are temporary, and are paid \$1.95 an hour, obviously you

can't get the ablest people for this kind of money. What assurance is there that these people under the circumstances are doing an adequate job?

Mr. BOWMAN. I would like to comment on that.

First of all, the enumerators we are talking about are not BLS enumerators, they are also Census enumerators, the Census makes the survey, they hire the enumerators, and they act as agents for the Bureau of Labor Statistics.

Senator PROXMIRE. They are employed by the Census?

Mr. BOWMAN. They are employed by the Census, just as would be the enumerators for the census of population. But the difference is not so much in competence, although I think the competence of the enumerators that are hired for the current population survey, of which the labor force survey is a part, are more competent, they are selected more carefully, there is more time to select them, but more important they are well trained. When we take a census of population, we have to accumulate a large number of enumerators very quickly. And we also have some problems of political sponsorship.

I would like to raise the question sometime as to whether we should hire our enumerators for the census on the basis of political sponsorship.

Senator PROXMIRE. That is a good question.

Mr. BOWMAN. But this has been the system in the past, in fact it has been defended even by those in the statistical profession, and we should recognize that they have a very difficult job of assembling a large number of enumerators quickly, and sometimes political sponsorship helps to stimulate people in this particular area of work.

But I think it ought to be questioned.

Now, the important part about the current population survey is that the enumerators are very carefully trained to do the job that they have assigned to them.

Senator PROXMIRE. How long is their training?

Mr. BOWMAN. Their training is continuous, they are not sent into the field until they have had a considerable amount of training.

And the fact that they are training—

Senator PROXMIRE. Six months, a year?

Mr. BOWMAN. The beginning training is not as long as that. But they are supervised continuously. And, also, as I am going to say in my statement later on, we have another group of superior enumerators, supervisors, who go around and make a quality control check of the original enumerator's work, and so we find out whether the enumerator is falling down on the job.

Senator PROXMIRE. Could you give us that information?

Mr. BOWMAN. Rather than give it to you now, I would like to get that information for you.

(The information is as follows:)

About 8 percent of the whole sample of households is reinterviewed each month. The schedule of reinterviews is arranged so that each enumerator is checked three times a year. Each time, unknown to the enumerator, the supervisor reinterviews about one-third of that enumerator's work for that month.

I would like to make one other statement. Many statisticians, of whom I am one, believe that we may get more accurate results in a sample survey than we do from a complete enumeration. This may seem very peculiar. It is peculiar only because people say a sample

survey has a sampling error attached to it and a complete enumeration has no sampling error attached to it.

I agree, but if you want to get right answers it is not a matter of sampling, it is a matter of being trained to know how to get the right answers. So well-trained enumerators, taking a sample of 10 percent or 5 percent, or even smaller, will often get much more nearly accurate results than if you send out poorly trained enumerators to ask everybody in the whole country.

So, frankly, we have more confidence in the monthly report on 35,000 households than we do in detailed information of this sort when we ask every household in the United States.

Senator PROXMIRE. Very good.

Now, this, of course, is something I think most people would be concerned about. As I said, the BLS figures on unemployment were shown to be 20 percent higher than the figures that were made by the Census who talked to everybody, or every home. I understand a study was made of this immense discrepancy after this.

Mr. BOWMAN. That is right.

Senator PROXMIRE. Now, would you make available for us for the record—we will incorporate it in the appendix or make it available somehow—this study, so that we have this, because I think there is a very considerable question, I think this is one of the most persuasive points raised by Mr. Daniel in his widely publicized article which has been so thoroughly discussed and considered and which has had some influence.

Mr. BOWMAN. And I would also like to include in the record, I think, the experience with respect to the 1940 census where we attempt to measure unemployment for the first time, in which the results were also not acceptable to the economists and statisticians.

This was an attempt to meet the need for unemployment statistics near the close of the great depression.

(The following material is reproduced from a volume in the census monograph series, entitled "The American Labor Force: Its Growth and Changing Composition," by Gertrude Bancroft, pp. 157-173:)

#### COMPARISON OF 1950 CENSUS AND CURRENT POPULATION SURVEY DATA

Despite the fact that population censuses in this country are carried out by fieldworkers who are frequently part-time and intermittent workers themselves, they characteristically give an undercount of such workers. Census enumerators apparently expect most men to be working, women to be keeping house, and teenagers to be in school; and it is presumably not always easy to ask the required set of questions to establish whether or not they are in fact in the labor force. As a result, whenever comparable data have been available for the same date collected by a more highly skilled staff, they have shown a larger number of teenagers and married women working, and more unemployed persons. In 1940, the Work Projects Administration sample survey in 41 counties, the origin of the Current Population Survey, was conducted at the same time as the decennial census, and with substantially the same questions and instructions. The survey estimate of unemployment was 17 percent higher than the census count. In 1950, the published Current Population Survey estimate of the civilian labor force was 5 percent higher than the census count and the unemployment estimate 24 percent higher. Even the reinterviews currently conducted by the supervisory staff in the Current Population Survey as part of a quality control program tend to give a slightly higher count of the labor force, although the original interviewers are comparatively well trained.

In addition to the disparity in the experience of the fieldworkers, other factors affect the comparability of the published statistics on the labor force from the 1950 census and the Current Population Survey.

1. *Date of enumeration.*—The decennial census relates to the population in the United States on April 1, but the labor force information was collected for the week prior to the enumerator's visit. About 70 percent of the population was enumerated by April 18 and 90 percent by the 1st of May. However, for only about one-quarter was the reference week for labor force activity the same as the CPS reference week—April 2 to 8. It is estimated that about 35 percent of the census returns refer to a week prior to the CPS week and about 40 percent refer to a week later than the CPS week. The possible spread is from the calendar week ending March 25 to the calendar week ending July 4.

During these weeks employment was rising, both in agriculture and in non-agricultural pursuits; unemployment was falling, at least until early June when students on vacation started to look for jobs. Theoretically, persons enumerated prior to the CPS week of enumeration would be less likely to be in the labor force than those enumerated at the same time as the CPS, and their unemployment rate would be higher; the opposite would be true for persons enumerated after the CPS for April was completed. The census enumeration was completed much later in rural areas than in urban, however, so that the group of persons enumerated later than the CPS week would be more heavily weighted with rural residents and would have a higher proportion engaged in agriculture, for example.

2. *Population controls.*—The current survey sample estimates for 1950 were adjusted to independent estimates of the civilian noninstitutional population, by age and sex. (Separate adjustments were made for male veterans of World War II and all other males in the sample.) These independent estimates were prepared by projecting the total population as measured in the 1940 census, taking account of births, deaths, estimated immigration, and emigration. From the total were subtracted an estimate of the institutional population, based on 1940 data, and an estimate of the Armed Forces, based largely on official figures from the various services.

The total population, the institutional population, and the Armed Forces, according to the 1950 Census of Population, all differed slightly in number and age composition from the projected data used to estimate the population controls for the sample. These differences alone would cause the two published measures of the labor force to differ. Also, the census data on the total labor force include members of the Armed Forces stationed in the continental United States, but not those stationed abroad. In the Current Population Survey publications, the total Armed Forces, including those overseas, are customarily added to the sample estimates to provide data on the total labor force.

3. *Sampling variability.*—The Current Population Survey estimates in 1950 were based on a sample of about 23,000 interviewed households located in 68 sample areas, comprising 125 counties and independent cities and the District of Columbia. They would be expected to differ from a complete count or from any other sample of the population enumerated under the same conditions because of sampling variability alone. Many of the major estimates differ from comparable figures from the complete census count or from the 20-percent or 3½-percent census samples by more than could be expected solely on the basis of sampling variability, however.

Some of the sources of difference between the two sets of labor force estimates for April 1950 can be eliminated by reweighting the original CPS estimates to population controls based on 1950 census data and adjusting the census sample data to the same complete count totals. Table A-4 presents the original CPS estimates of the civilian labor force, by age and sex, as published, and similar census data, based on the 20-percent sample; it also shows the CPS estimates reweighted by age, sex, and color to the 1950 census population controls as compared with 20 percent sample data from the decennial census adjusted to the complete count. The reweighted CPS estimates are slightly closer to the census figures adjusted to the complete totals in the case of males, but the opposite is true in the case of females. On the basis of the adjusted CPS figures, which are more comparable with the census figures, it can be seen that the labor force status of men between the ages of 25 and 64 and of women aged 18 to 24 is most likely to be reported consistently by two sets of enumerators. In the age groups for which enumerators tend to assume other activities for the respondent—school attendance, keeping house—and do not inquire fully about labor force activity, the differences are much greater. Respondents, too, may assume that their part-time or casual work is not to be reported in a decennial census.

TABLE A-4.—Comparison of census and current population survey data on the labor force, by age and sex, 1950

Age and sex	Original civilian labor force			Adjusted civilian labor force <sup>1</sup>		
	Census as published (20 percent)	April CPS as published	Ratio of census to CPS	Census adjusted to complete count	April CPS adjusted to 1950 population controls	Ratio of census to CPS
Male, 14 years and over.....	42,126,325	44,120,000	95.4812	42,598,767	44,400,169	95.9233
14 to 19 years.....	2,306,915	2,795,000	82.5372	2,331,611	2,869,797	81.2465
14 to 17 years.....	1,064,370	1,429,000	74.4836	1,075,579	1,463,929	73.4721
18 and 19 years.....	1,242,545	1,366,000	90.9623	1,256,032	1,405,868	89.3421
20 to 24 years.....	4,244,615	4,678,000	90.7357	4,291,570	4,547,870	94.3644
25 to 34 years.....	10,243,225	10,499,000	97.5633	10,358,081	10,617,154	97.5599
35 to 44 years.....	9,731,525	9,820,000	99.0990	9,840,340	10,058,929	97.8269
45 to 54 years.....	7,778,755	8,126,000	95.7267	7,866,205	8,105,748	97.0448
55 to 64 years.....	5,444,785	5,743,000	94.8073	5,507,375	5,606,634	98.2206
65 years and over.....	2,376,505	2,469,000	96.6452	2,403,585	2,603,037	92.3378
Female, 14 years and over.....	16,519,690	18,063,000	91.4560	16,472,888	18,114,218	90.9390
14 to 19 years.....	1,437,045	1,677,000	85.6914	1,433,299	1,687,048	84.9590
14 to 17 years.....	474,345	694,000	68.3494	472,980	692,754	68.2753
18 and 19 years.....	962,700	983,000	97.9349	960,319	994,294	96.5830
20 to 24 years.....	2,528,530	2,598,000	97.3260	2,521,757	2,599,838	96.9967
25 to 34 years.....	3,856,255	4,044,000	95.3574	3,844,561	4,092,552	93.9404
35 to 44 years.....	3,785,795	4,055,000	93.3612	3,774,483	4,121,621	91.5776
45 to 54 years.....	2,853,735	3,245,000	87.9425	2,845,724	3,195,224	89.0618
55 to 64 years.....	1,550,985	1,808,000	83.0292	1,547,038	1,806,578	85.6336
65 years and over.....	507,345	576,000	88.0807	506,026	611,357	82.7710

<sup>1</sup> Census data from the 20-percent sample adjusted by color and sex to complete-count totals without correction for not-reported employment status; CPS age-specific civilian labor force rates multiplied by 1950 census population controls by age and color.

Source: Census data derived from 1950 Census of Population, vol. II, "Characteristics of the Population," pt. 1, U.S. Summary, tables 50, 118, and 119; CPS data from Current

Population Reports, Series P-57, No. 94, table 6. Population controls for adjusted CPS data from 1950 Census of Population, vol. II, "Characteristics of the Population," tables 38, 50, 118, and 119, and vol. IV, Special Reports, pt. 2, ch. C, "Institutional Population," table 3.

The major area of difference is in the classification of persons as unemployed. The adjusted census count of unemployed male workers was 79 percent of the CPS estimate, the count of unemployed female workers 84 percent (table A-5). The differences by age seem to be erratic and may be due in part to the sampling variability of the current survey estimates. There does not seem to be any real reason why decennial and CPS enumerators would give the most consistent results for men 65 years and over or for girls 14 to 19 years of age—both age classes in which the status of being unemployed is not always clear and unequivocal.

The census count of male workers employed in agriculture is almost identical with the CPS estimate, but this is in large part because some of the census returns refer to a later period, when agricultural employment was closer to the seasonal peak. Except in the younger age groups, the census count and the CPS estimates for male workers in nonagricultural industries are very close. For female workers, the disparities are generally much greater.

#### RESULTS OF THE CENSUS-CPS MATCHING PROJECT

Because it was anticipated that the current survey estimates would differ from the 1950 census counts, a matching project was planned in advance of the census. Procedures were set up for transcribing the census reports for the members of all households in the sample for the Current Population Survey in April 1950. Tabulations were then made of the employment status, occupation, industry, class of worker, and other characteristics as reported by the census and by the CPS enumerators. (A check of the coverage of population and dwelling units by the two groups was also conducted.) This project served as the only check on the employment status statistics of the census; the postenumeration survey, which provided so much information on other aspects of the census, did not include employment status questions because of the lapse of time between the census date and the postenumeration survey.



TABLE A-5.—Comparison of census and current population survey data on employment and unemployment, by age and sex: 1950

Age and sex	Employed									Unemployed		
	Total			Agriculture			Nonagricultural industries			Census adjusted to complete count <sup>1</sup>	April CPS adjusted to 1950 population controls <sup>2</sup>	Ratio of census to CPS
	Census complete count <sup>1</sup>	April CPS adjusted to 1950 population controls <sup>2</sup>	Ratio of census to CPS	Census complete count <sup>1</sup>	April CPS adjusted to 1950 population controls <sup>2</sup>	Ratio of census to CPS	Census complete count <sup>1</sup>	April CPS adjusted to 1950 population controls <sup>2</sup>	Ratio of census to CPS			
Male, 14 years and over.....	40,510,176	41,770,426	96.9820	6,291,657	6,330,784	99.3820	34,218,519	35,439,642	96.5544	2,079,305	2,638,743	78.7991
14 to 19 years.....	1,995,497	2,536,061	78.6849	643,648	836,334	76.9606	1,351,849	1,699,727	79.5333	249,806	333,736	74.8514
14 to 17 years.....	903,872	1,302,067	69.4182	378,972	529,637	71.5532	524,900	772,430	67.9544	109,623	161,862	67.7262
18 and 19 years.....	1,091,625	1,233,994	88.4627	264,676	306,697	86.2989	826,949	927,297	89.1784	140,183	171,874	81.6615
20 to 24 years.....	3,916,492	4,139,553	94.6115	676,805	526,923	109.4667	3,339,687	3,612,630	92.4448	337,026	408,317	82.7607
25 to 34 years.....	9,894,823	10,062,029	98.3382	1,161,876	1,062,727	109.3297	8,732,947	8,999,302	97.0403	447,294	555,125	80.5754
35 to 44 years.....	9,534,991	9,628,710	99.0267	1,235,962	1,156,470	106.8737	8,299,027	8,472,240	97.9555	350,444	430,219	81.4571
45 to 54 years.....	7,605,784	7,690,785	98.8948	1,094,237	1,093,269	100.0885	6,511,547	6,597,516	98.6069	315,613	414,963	76.0581
55 to 64 years.....	5,278,894	5,241,514	100.7132	936,454	960,635	97.4828	4,342,440	4,280,879	101.4380	262,711	365,120	71.9520
65 years and over.....	2,283,695	2,471,774	92.3909	642,675	694,426	92.5477	1,641,020	1,777,348	92.3297	115,511	131,263	87.9997
Female, 14 years and over.....	15,715,164	17,222,558	91.2476	584,144	925,015	63.1497	15,131,020	16,297,543	92.8423	752,901	891,660	84.4381
14 to 19 years.....	1,272,088	1,562,433	81.4171	75,276	69,128	108.8936	1,196,812	1,493,305	80.1452	137,128	124,615	110.0413
14 to 17 years.....	395,995	631,863	62.6710	49,568	49,910	99.3148	346,427	581,953	59.5283	60,372	60,891	99.1477
18 and 19 years.....	876,093	930,570	94.1458	25,708	19,128	133.7704	850,385	911,352	93.3103	76,756	63,724	120.4507
20 to 24 years.....	2,382,464	2,439,725	97.6530	52,536	67,047	78.3570	2,329,928	2,372,678	98.1982	132,026	160,113	82.4580
25 to 34 years.....	3,682,450	3,896,271	94.5122	111,707	145,693	76.6729	3,570,743	3,750,578	95.2051	168,280	196,281	85.7342
35 to 44 years.....	3,659,820	3,939,725	92.8953	129,332	208,317	62.0842	3,530,488	3,731,408	94.6154	135,884	181,896	74.7042
45 to 54 years.....	2,752,650	3,060,325	89.9463	110,132	205,794	53.5157	2,642,518	2,854,531	92.5728	101,892	134,890	75.5321
55 to 64 years.....	1,400,272	1,735,011	85.8941	72,387	154,739	46.7801	1,417,885	1,580,272	89.7241	69,721	71,567	83.4477
65 years and over.....	475,420	589,068	80.7072	32,774	74,297	44.1121	442,646	514,771	85.9889	17,970	22,289	80.6227

<sup>1</sup> Sum of census data on employed and unemployed differs slightly from civilian labor force total in table A-4, because data for employed by age were available on complete count basis and are not based on adjusted 20-percent sample.

<sup>2</sup> Census data from the 20-percent sample adjusted to complete-count totals without correction for not-reported employment status; CPS adjusted labor force in table A-4 distributed by employment status within age groups on basis of original distribution.

Source: Census data on employed derived from 1950 Census of Population, vol. II, Characteristics of the Population, pt. 1, U.S. Summary, table 132; data for unemployed derived from tables 50, 118, and 119. CPS data derived from same source as table A-4.

Not all households in the CPS sample could be matched with census records because families moved out of the sample dwelling units prior to the visit of the census taker, because addresses were not sufficiently precise in one set of records or the other, and for a variety of other reasons. Records for persons living in quasi-households were not matched. Altogether, records for 51,123 persons were matched. Some 1,154 persons interviewed in CPS could not be found in census records, and 1,304 reported by the census enumerator as resident in CPS households could not be found in CPS records. Unmarried college students away from home were listed at their home addresses in the CPS but at their college addresses in the census; 287 of the unmatched persons were in this group. Their exclusion from the tabulations of the matched sample accounts in part for the differences between the estimates from this sample and from the complete census count on the one hand, or the estimates from the full CPS sample on the other. (See table A-6.)

The results of the census-CPS matching study can be used in two ways: (1) Comparison of the gross and net differences between the two sets of data will indicate some of the sources of difference between decennial census and current survey measures of the same population groups and will provide some basis for interpreting the seriousness of the discrepancies. Because there were differences in both directions—some of the persons classified as unemployed by the census were returned as not in the labor force by the CPS, for example, it is impossible to say that one set of data was right and the other wrong. Differences in timing and in the identity of respondents also preclude such a judgment. On balance, however, the evidence seems to point to a better enumeration on the part of the CPS interviewers. Census Bureau experience has shown that a trained interviewer will make fewer assumptions and will tend to classify more persons as members of the labor force than will a novice enumerator. Hence, if the first interviewer classifies a person as unemployed and the second as keeping house, the presumption is that the first interviewer is more likely to be right. However, if the first reports here as employed and the second unemployed, there is no basis for judgment, without a third interview or some other validation.

TABLE A-6.—Percent distribution of the population by employment status as measured by 1950 census, current population survey, and census-CPS matching study, by sex

Employment status and sex	Employment status according to census enumerators			Employment status according to CPS enumerators			
	Census complete count	Census-CPS match		April CPS as published	Adjusted to 1950 population controls	Census-CPS match	
		Total sample	Enumerated in same week			Total sample	Enumerated in same week
<b>MALE</b>							
Total, 14 years and over...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Labor force.....	79.7	81.2	81.3	83.3	83.0	83.7	84.3
Not in labor force.....	20.3	18.8	18.7	16.7	17.0	16.3	15.7
Labor force.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employed:							
Agriculture.....	14.8	14.4	13.9	14.2	14.3	15.1	14.9
Nonagricultural industries.....	80.3	80.9	81.1	79.8	79.8	79.2	78.7
Unemployed.....	4.9	4.7	5.0	6.0	5.9	5.7	6.4
<b>FEMALE</b>							
Total, 14 years and over...	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Labor force.....	29.2	29.1	29.0	32.1	32.1	31.6	31.7
Not in labor force.....	70.8	70.9	71.0	67.9	67.9	68.4	68.3
Labor force.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Employed:							
Agriculture.....	3.5	3.1	2.7	5.1	5.1	5.5	5.6
Nonagricultural industries.....	91.9	92.6	92.7	90.0	90.0	89.6	88.7
Unemployed.....	4.6	4.3	4.6	4.9	4.9	4.9	5.7

Source: Derived from 1950 Census of Population, vol. II, Characteristics of the Population, pt. 1, U.S. Summary, tables 50 and 55; U.S. Bureau of the Census, Current Population Reports, series P-57, No. 94, table 6; and unpublished tabulations from census-CPS matching study.

(2) A second use of the matching study is to provide a basis for examining variability in response, by limiting the analysis to reports for persons enumerated in both the census and the survey during the same week. Here the factor of time reference is controlled, and the remaining differences presumably reflect differences in enumerator performance, differences in responses, or both. Only about one-fourth of the matched sample had a common reference week, so that national estimates constructed from this group, particularly for some of the smaller categories, have relatively high sampling error. Too much reliance cannot be placed on these data for interpretation of the differences between the published or adjusted census and CPS data.

In connection with the first use—to interpret 1950 Census-CPS differences—it is important to know how well the census and CPS returns from the matched sample represent the full census or the full CPS. With respect to the major employment status categories, the full matched sample closely resembles the complete census in the case of females but has a somewhat higher proportion of males in the labor force than does the census, in part because of the omission of some college students away from home (table A-6). The estimates from the matched sample are also much like the full CPS, except that the proportion of the labor force employed in agriculture is higher in the matched sample. (The exclusion of persons in quasi-households from the matching study would be expected to result in a lower estimate of nonagricultural workers.) Differences between the matched sample enumerated in the same week and the census or the CPS are somewhat greater.

Comparisons of the census and the CPS reports for the full sample of 51,000 identical individuals (weighted to U.S. totals by age, sex, and color) are shown in tables A-7 and A-8. With respect to labor force status (in the labor force or not in the labor force), decennial and CPS enumerators classified about 92

percent of the persons in the matched sample the same way, although there were many differences within these two major classes. An estimated 2,447,000 males outside the labor force according to census enumerators were in the labor force according to the CPS; conversely, 1,106,000 males were not in the labor force according to the CPS, but were in the labor force according to the census (table A-8). These classes were even larger in the case of females: 3,069,000 in the labor force according to the CPS but not the census, 1,650,000 in the labor force according to the census but not the CPS.

The larger part of the group classified as labor force members in one enumeration but not in the other were employed in nonagricultural industries:

Employment status	Persons in the labor force in one enumeration but not the other			
	Male		Female	
	Labor force in census	Labor force in CPS	Labor force in census	Labor force in CPS
Employed in agriculture.....	229,000	643,000	227,000	700,000
Employed in nonagricultural industries.....	606,000	1,192,000	1,097,000	1,936,000
Unemployed.....	271,000	612,000	326,000	433,000

TABLE A-7.—Employment status of civilian noninstitutional population, based on reports for identical persons enumerated by census and current population survey enumerators, by sex, 1950

[In thousands]

Employment status according to CPS enumerators	Population 14 years old and over	Employment status according to census enumerators									
		Civilian labor force					Not in labor force				
		Total	Employed			Unem- ployed	Total	Keeping house	Unable to hwork	Other	Not reported
			Total	Agricul- ture	Nonagri- cultural industries						
<b>MALE</b>											
Total.....	53,477	43,442	41,385	6,269	35,116	2,057	10,035	167	2,546	6,743	579
Civilian labor force.....	44,783	42,336	40,550	6,040	34,510	1,786	2,447	63	411	1,604	369
Employed.....	42,232	40,397	39,882	5,980	33,902	615	1,835	47	324	1,133	331
Agriculture.....	6,749	6,106	6,023	5,054	369	83	643	15	116	397	115
Nonagricultural industries.....	35,483	34,291	33,859	326	33,533	432	1,192	32	208	736	210
Unemployed.....	2,551	1,939	668	60	608	1,271	612	16	87	471	38
Not in labor force.....	8,694	1,106	835	229	606	271	7,588	104	2,135	5,139	210
Keeping house.....	106	19	15	5	10	4	87	24	36	25	2
Unable to work.....	1,580	162	113	28	85	49	1,418	17	990	399	12
Other.....	7,008	925	707	196	511	218	6,083	63	1,109	4,715	106
<b>FEMALE</b>											
Total.....	56,446	16,414	15,715	517	15,198	699	40,032	32,758	1,557	4,762	955
Civilian labor force.....	17,833	14,764	14,391	290	14,101	373	3,069	2,234	97	526	212
Employed.....	16,959	14,323	14,212	288	13,924	111	2,636	1,920	80	436	200
Agriculture.....	975	275	275	251	24	-----	700	607	12	71	10
Nonagricultural industries.....	15,984	14,048	13,937	37	13,900	111	1,936	1,313	68	365	190
Unemployed.....	874	441	179	2	177	262	433	314	17	90	12
Not in labor force.....	38,613	1,650	1,324	227	1,097	326	36,963	30,524	1,460	4,236	743
Keeping house.....	33,774	1,396	1,143	200	943	253	32,378	30,074	861	888	555
Unable to work.....	781	8	8	2	6	-----	773	191	479	91	12
Other.....	4,058	264	173	25	148	73	3,812	259	120	3,257	176

Source: Derived from unpublished tabulations from census-CPS matching study.

TABLE A-8.—Comparison of estimates of employment status based on reports for identical persons enumerated by census and current population survey enumerators, by sex, 1960

[In thousands]

Employment status and sex	Civilian labor force			Employed									Unemployed			
				Total			Agriculture			Nonagricultural industries						
	Census	CPS	Difference	Census	CPS	Difference	Census	CPS	Difference	Census	CPS	Difference	Census	CPS	Difference	
<b>MALE</b>																
Total.....	43,442	44,783	-1,341	41,385	42,232	-847	6,269	6,749	-480	35,116	35,483	-367	2,057	2,551	-494	
Status in opposite enumeration:																
Civilian labor force.....	42,336	42,386	-----	40,550	40,397	+153	6,040	6,106	-66	34,510	34,291	+219	1,786	1,939	-153	
Employed.....	40,397	40,550	-153	39,882	39,882	-----	5,980	6,023	-43	33,902	33,859	+43	515	668	-153	
Agriculture.....	6,106	6,040	+66	6,023	5,980	+43	5,654	5,654	-----	369	326	+43	83	60	+23	
Nonagricultural industries.....	34,291	34,510	-219	33,859	33,902	-43	326	369	-43	33,533	33,533	-----	432	608	-176	
Unemployed.....	1,939	1,786	+153	668	515	+153	60	83	-23	608	432	+176	1,271	1,271	-----	
Not in labor force.....	1,106	2,447	-1,341	835	1,835	-1,000	229	643	-414	606	1,192	-586	271	612	-341	
Keeping house.....	19	63	-44	15	47	-32	5	15	-10	10	32	-22	4	16	-12	
Unable to work.....	162	411	-249	113	324	-211	28	116	-88	85	208	-123	49	87	-38	
All other.....	925	1,604	-679	707	1,133	-426	196	397	-201	511	736	-225	218	471	-253	
Not reported.....	-----	369	-369	-----	331	-331	-----	115	-115	-----	216	-216	-----	38	-38	
<b>FEMALE</b>																
Total.....	16,414	17,833	-1,419	15,715	16,959	-1,244	517	975	-458	15,198	15,984	-786	699	874	-175	
Status in opposite enumeration:																
Civilian labor force.....	14,764	14,764	-----	14,391	14,323	+68	290	275	+15	14,101	14,048	+53	373	441	-68	
Employed.....	14,323	14,391	-68	14,212	14,212	-----	288	275	+13	13,924	13,937	-13	111	179	-68	
Agriculture.....	275	290	-15	275	288	-13	251	251	-----	24	37	-13	-----	2	-2	
Nonagricultural industries.....	14,048	14,101	-53	13,937	13,924	+13	37	24	+13	13,900	13,900	-----	111	177	-66	
Unemployed.....	441	373	+68	179	111	+68	2	-----	+2	177	111	+66	262	262	-----	
Not in labor force.....	1,650	3,069	-1,419	1,324	2,636	-1,312	227	700	-473	1,097	1,936	-839	326	433	-107	
Keeping house.....	1,396	2,234	-838	1,143	1,920	-777	200	607	-407	943	1,313	-370	253	314	-61	
Unable to work.....	8	97	-89	8	80	-72	2	12	-10	6	68	-62	-----	17	-17	
All other.....	246	526	-280	173	436	-263	25	71	-46	148	365	-217	73	90	-17	
Not reported.....	-----	212	-212	-----	200	-200	-----	10	-10	-----	190	-190	-----	12	-12	

Source: Based on table A-7.

In general, the types of employed workers who were most likely to be classified as nonworkers in the opposite enumeration were self-employed workers and unpaid family workers. Self-employed workers include some who conduct small businesses from their homes; their activity is sometimes so limited that it is often disregarded in labor force surveys. Unpaid family workers are always difficult to enumerate consistently because so much of the work they perform is considered part of their household chores and not work in a family enterprise. Persons who worked only a few hours during the week constituted a third major source of disagreement among women, but among men they were not so numerous as full-time workers who were classified as not in the labor force in the opposite enumeration (table A-9). It should be remembered that some of these differences may have represented real changes in status.

TABLE A-9.—*Characteristics of persons employed in one enumeration and not in the labor force in the other, based on reports for identical persons enumerated by census and current population survey enumerators, by sex: 1950*

[In thousands]

Age, class of worker, and major industry group	Male			Female		
	Employed in census, not in labor force in CPS	Employed in CPS, not in labor force in census	Difference	Employed in census, not in labor force in CPS	Employed in CPS, not in labor force in census	Difference
<b>AGE</b>						
Total.....	835	1,835	-1,000	1,324	2,636	-1,312
14 to 17 years.....	181	502	-321	100	278	-178
18 to 24 years.....	116	258	-142	186	281	-95
25 to 44 years.....	103	407	-304	497	1,058	-561
45 to 64 years.....	207	389	-182	448	810	-362
65 years and over.....	228	279	-51	93	209	-116
<b>CLASS OF WORKER</b>						
Total.....	835	1,835	-1,000	1,324	2,636	-1,312
Wage and salary workers.....	442	936	-494	818	1,323	-505
At work:						
1 to 14 hours.....	84	275	-191	161	452	-291
15 to 34 hours.....	120	223	-103	194	347	-153
35 hours or more.....	172	431	-259	348	513	-165
Hours not reported.....	66	7	+59	115	11	+104
With a job but not at work.....	118	125	-7	172	109	+63
Self-employed workers.....	209	519	-310	158	556	-408
Unpaid family workers.....	66	255	-189	176	638	-462
<b>MAJOR INDUSTRY GROUP</b>						
Total.....	835	1,835	-1,000	1,324	2,636	-1,312
Agriculture.....	229	643	-414	227	700	-473
Construction.....	95	144	-49	6	14	-8
Manufacturing.....	95	250	-155	118	216	-98
Transportation, communication, and other public utilities.....	37	78	-41	21	17	+4
Wholesale and retail trade.....	108	312	-204	310	541	-231
Service industries.....	175	339	-164	464	1,091	-627
All other industries.....	10	60	-50	41	52	-11
Industry not reported.....	86	9	+77	137	5	+132

Source: Unpublished tabulations from census CPS matching study.

Part-time and intermittent workers are most commonly found in agriculture, trade, and the service industries, and these were the industries in which workers were concentrated who were reported as not in the labor force in the opposite enumeration. Again, some of these differences may have represented real changes in status (table A-9). Much of the net difference for males arose from the greater tendency of CPS interviewers to classify teenage boys as employed, particularly in agriculture. For females, the differences were more heavily concentrated in the age groups 25 to 64 years.

Turning to the unemployed group, we find that most of the difference between the two sets of data stems from the classification of persons as not in the labor force in one enumeration who were classified as unemployed in the other (table A-8). A fairly large number of persons in nonagricultural employment, scattered through all industries, were reported as unemployed in the opposite enumeration. However, about three-quarters of the net difference between the census and CPS measures of unemployment can be attributed to the greater tendency of CPS enumerators to identify persons as unemployed who were reported as nonworkers by the census. There is some evidence that teenage and elderly persons were more likely than other age groups to be classified inconsistently from one enumeration to another.

The classification "unable to work" was supposed to be given to persons who could not work because of a long-term physical or mental illness or disability. No check questions were included on either the census or the current survey schedule to verify this status. In fact, if the enumerator was told that an individual was unable to work, he was instructed in both enumerations to omit the remaining questions on employment status, occupation, and industry. It was assumed that this approach would give only a rough measure of the disabled group, but the difference between the census and CPS figures was larger than anticipated. From the matched sample, 4.1 million persons were classified as unable to work according to census enumerators and 2.4 million according to the CPS. Table A-10 shows that about one-fifth of the net difference was due to the classification of persons by one or the other group of enumerators as in the labor force. The hypothesis has been advanced that the census enumerators were confused about the two categories "unable to work" and "unemployed," but the matched sample does not confirm this. Most of the differences arise from the use of different nonworker classifications—"keeping house" in the case of women and "other" nonworkers in the case of men.

All persons for whom employment status was not reported in the census were classified as not in the labor force, although some of them were probably employed or unemployed. In the matched sample, 64 percent of the males and 22 percent of the female for whom there was no report on employment status in the census were reported as in the labor force by the CPS enumerators. These estimates are not inconsistent with those developed independently by the author, which were based on the assumption that the not-reported cases had the same labor force rates as persons in comparable age-sex-color-residence-marital status groups.

TABLE A-10.—*Status in opposite enumeration of persons reported as unable to work, based on reports for identical persons enumerated by census and current population survey enumerators, by sex: 1950*

[In thousands]

Employment status	Male			Female		
	Unable to work		Difference	Unable to work		Difference
	Census	CPS		Census	CPS	
Total.....	2,546	1,580	+966	1,557	781	+776
Status to opposite enumeration:						
Civilian labor force.....	411	162	+249	97	8	+89
Employed.....	324	113	+211	80	8	+72
Agriculture.....	116	28	+88	12	2	+10
Nonagricultural industries.....	208	85	+123	68	6	+62
Unemployed.....	87	49	+38	17	-----	+17
Not in labor force.....	2,135	1,418	+717	1,460	773	+687
Keeping house.....	36	17	+19	861	191	+670
Unable to work.....	990	990	-----	479	479	-----
Other.....	1,109	399	+710	120	91	+29
Not reported.....	-----	12	-12	-----	12	-12

Source: Based on table A-7.



As indicated in chapter 3, the differences between the labor force participation rates of white and nonwhite men were greater in the census statistics than in the CPS, and the excess of rates for whites over those for nonwhites as shown by the census in some age groups did not appear in the current survey data (table A-11). From the matching study, the rates for identical persons in specific age groups show somewhat greater disparity in the case of nonwhite men than of white men:

Age	White		Nonwhite	
	Census	CPS	Census	CPS
14 to 17 years.....	25.6	33.6	37.6	46.1
18 to 24 years.....	83.2	85.9	81.9	89.6
25 to 44 years.....	95.5	97.1	91.0	94.3
45 to 64 years.....	90.3	92.0	88.3	93.1
65 years and over.....	44.4	46.0	43.7	43.9

The net difference in the white male labor force, estimated from the matched sample, was 1,100,000 or 2.3 percent of the white male population 14 years and older; for nonwhite males, the net difference was 235,000 or 4.6 percent of the population 14 and over. The sample data for nonwhite males are too unreliable to pinpoint with assurance the sources of difference between the two enumerations, particularly by age, but there is some indication that a substantial part may have arisen because the CPS enumerators tended to identify persons as unemployed whom the census enumerators called not in the labor force.

Employment status estimates from the matched sample based on reports for persons enumerated in the same week in the census and the current sample survey indicate gross and net differences of much the same character as those based on the full sample (tables A-12 and A-13). Approximately the same proportion (93 percent) were classified consistently as far as labor force status is concerned—in the labor force or not in the labor force—in the two enumerations based on the same week. Classification of persons as employed in one enumeration and as unemployed in the other may have been a somewhat larger factor in the difference in the estimates of male unemployment than was the case using the full matched sample.

TABLE A-11.—*Males in civilian labor force as percent of civilian noninstitutional population, by age and color, census and current population survey, 1950*

Age	Census		April 1950 CPS	
	White	Nonwhite	White	Nonwhite
Total.....	80.0	78.6	83.3	83.4
14 to 17 years.....	24.3	32.1	33.1	40.9
18 to 24 years.....	77.2	79.0	82.3	87.7
25 to 44 years.....	94.8	91.2	96.9	94.1
25 to 34 years.....	93.6	89.5	95.9	91.7
35 to 44 years.....	96.1	93.0	98.0	96.8
45 to 64 years.....	90.0	87.5	91.7	92.9
45 to 54 years.....	93.7	90.7	95.9	97.9
55 to 64 years.....	85.3	82.2	86.5	84.5
65 years and over.....	42.5	45.3	46.0	46.6

Source: Derived from 1950 Census of Population, vol. IV, "Special Reports," pt. 1, ch. A, "Employment and Personal Characteristics," table 4, and unpublished tabulations of current population survey data.

On the basis of the writer's experience, one of the most difficult parts of any labor force survey based on household interviews is the reporting of occupation of persons in the labor force. The kind of work a person does can be described in many different ways and, unlike many other population characteristics, a person's occupation may have no single, correct report. The census or survey enumerator has a few rules to follow, but for the great majority of cases he must rely on what he is told by the respondent, who frequently is not the worker himself but his wife, his mother, or his landlady. The distinction in coding between proprietors and certain craftsmen who operate their own businesses, between managers and salesmen, between craftsmen and operatives, between operatives and laborers can hinge on the presence or absence of a phrase in the job description entered on the schedule. Comparison of the occupational returns for persons enumerated in the same week and employed both according to the census and the CPS enumerators shows that for women, who are concentrated in relatively few occupations, 90 percent were in the same major group in both enumerations. For men, however, only 77 percent were in the same major group. The greatest discrepancies in the job descriptions of men were in the professional, managerial, clerical, and farm laborer groups. The most common differences were the reporting of "census professional workers" as managerial or clerical workers by CPS; the reporting of "CPS managerial workers" as salesmen, craftsmen, or operatives by the census; and the reporting of "CPS clerical workers" as professional workers by the census (table A-14). On balance, relative to CPS enumerators, census enumerators tended to upgrade male clerical workers to professional and downgrade managerial workers and proprietors to salesmen and craftsmen.

TABLE A-12.—*Employment status of civilian noninstitutional population, based on reports for identical persons enumerated in same week by census and current population survey enumerators, by sex, 1950*

[In thousands]

Employment status according to CPS enumerators	Population 14 years old and over	Employment status according to census enumerators									
		Civilian labor force					Not in labor force				
		Total	Employed			Unemployed	Total	Keeping house	Unable to work	Other	Not reported
			Total	Agriculture	Nonagricultural industries						
MALE											
Total.....	53,477	43,478	41,289	6,046	35,243	2,189	9,999	107	2,606	6,712	574
Civilian labor force.....	45,055	42,513	40,585	5,900	34,685	1,928	2,542	60	500	1,554	428
Employed.....	42,185	40,317	39,011	5,870	34,041	406	1,868	52	335	1,085	396
Agriculture.....	6,708	5,947	5,900	5,489	411	47	761	22	78	508	153
Nonagricultural industries.....	35,477	34,370	34,011	381	33,630	359	1,107	30	257	577	243
Unemployed.....	2,870	2,196	674	30	644	1,522	674	8	165	409	32
Not in labor force.....	8,422	965	704	146	558	261	7,457	47	2,106	5,158	146
Keeping house.....	113	31	15	-----	15	16	82	16	44	22	-----
Unable to work.....	1,539	178	115	37	78	63	1,361	-----	934	427	-----
Other.....	6,770	756	574	109	465	182	6,014	31	1,128	4,709	146
FEMALE											
Total.....	56,446	16,384	15,629	441	15,188	755	40,062	32,927	1,457	4,635	1,043
Civilian labor force.....	17,920	14,972	14,568	243	14,325	404	2,948	2,173	94	468	213
Employed.....	16,905	14,450	14,420	243	14,177	30	2,455	1,800	62	387	206
Agriculture.....	1,005	247	247	206	41	-----	758	634	-----	98	26
Nonagricultural industries.....	15,900	14,203	14,173	37	14,136	30	1,697	1,166	62	289	180
Unemployed.....	1,015	522	148	-----	148	374	493	373	32	81	7
Not in labor force.....	38,526	1,412	1,061	198	863	351	37,114	30,754	1,363	4,167	830
Keeping house.....	33,887	1,175	921	183	738	254	32,712	30,320	816	900	676
Unable to work.....	742	-----	-----	-----	-----	-----	742	220	419	89	14
Other.....	3,897	237	140	15	125	97	3,660	214	128	3,178	140

Source: Unpublished tabulations from census-CPS matching study.

TABLE A-13.—Comparison of estimates of employment status based on reports for identical persons enumerated in Same Week by census and current population survey enumerators, by sex: 1950

[In thousands]

Employment status and sex	Civilian labor force			Employed									Unemployed		
				Total			Agriculture			Nonagricultural industries					
	Census	CPS	Difference	Census	CPS	Difference	Census	CPS	Difference	Census	CPS	Difference	Census	CPS	Difference
<b>MALE</b>															
Total.....	43, 478	45, 055	-1, 577	41, 289	42, 185	-896	6, 046	6, 708	-662	35, 243	35, 477	-234	2, 189	2, 870	-681
Status in opposite enumeration:															
Civilian labor force.....	42, 513	42, 513	-----	40, 585	40, 317	+268	5, 900	5, 947	-47	34, 685	34, 370	+315	1, 928	2, 196	-268
Employed.....	40, 317	40, 585	-268	39, 911	39, 911	-----	5, 870	5, 900	-30	34, 041	34, 011	+30	406	674	-268
Agriculture.....	5, 947	5, 900	+47	5, 900	5, 870	+30	5, 489	5, 489	-----	411	381	+30	47	30	+17
Nonagricultural in- dustries.....	34, 370	34, 685	-315	34, 011	34, 041	-30	381	411	-30	33, 630	33, 630	-----	359	644	-285
Unemployed.....	2, 196	1, 928	+268	674	406	-268	30	47	-17	644	359	+285	1, 522	1, 522	-----
Not in labor force.....	965	2, 542	-1, 577	704	1, 868	-1, 164	146	761	-615	558	1, 107	-549	261	674	-413
Keeping house.....	31	60	-29	15	52	-37	-----	22	-22	15	30	-15	16	8	+8
Unable to work.....	178	500	-322	115	335	-220	37	78	-41	78	257	-179	63	165	-102
All other.....	756	1, 554	-798	574	1, 085	-511	109	508	-399	465	577	-112	182	469	-287
Not reported.....	-----	428	-428	-----	396	-396	-----	153	-153	-----	243	-243	-----	32	-32
<b>FEMALE</b>															
Total.....	16, 384	17, 920	-1, 536	15, 629	16, 905	-1, 276	441	1, 005	-564	15, 188	15, 900	-712	755	1, 015	-260
Status in opposite enumeration:															
Civilian labor force.....	14, 972	14, 972	-----	14, 568	14, 450	+118	243	247	-4	14, 325	14, 203	+122	404	522	-118
Employed.....	14, 450	14, 568	-118	14, 420	14, 420	-----	243	247	-4	14, 177	14, 173	+4	30	148	-118
Agriculture.....	247	243	+4	247	243	+4	206	206	-----	41	37	+4	-----	-----	-----
Nonagricultural in- dustries.....	14, 203	14, 325	-122	14, 173	14, 177	-4	37	41	-4	14, 136	14, 136	-----	30	148	-118
Unemployed.....	522	404	+118	148	30	+118	-----	-----	-----	148	30	+118	374	374	-----
Not in labor force.....	1, 412	2, 948	-1, 536	1, 061	2, 455	-1, 394	198	758	-560	863	1, 697	-834	351	493	-142
Keeping house.....	1, 175	2, 173	-998	921	1, 800	-879	183	634	-451	738	1, 166	-428	254	373	-119
Unable to work.....	-----	94	-94	-----	62	-62	-----	-----	-----	62	62	-----	32	32	-----
All other.....	237	468	-231	140	387	-247	15	98	-83	125	289	-164	97	81	+16
Not reported.....	-----	213	-213	-----	206	-206	-----	26	-26	-----	180	-180	-----	7	-7

Source: Based on table A-12.

TABLE A-14.—Major occupation group of employed persons, based on reports for identical persons interviewed in same week by census and current population survey enumerators, and classified as employed by both, by sex: 1950

[In thousands]

Major occupation group according to CPS enumerators	Total	Major occupation group according to census enumerators										Occupation not reported
		Professional, technical, and kindred workers	Farmers and farm managers	Managers, officials, and proprietors, excluding farm	Clerical and kindred workers	Sales workers	Craftsmen, foremen, and kindred workers	Operatives and kindred workers	Service workers, including private household	Farm laborers and foremen	Laborers, excluding farm and mine	
<b>MALE</b>												
Total employed in both census and CPS.....	39,911	2,821	4,186	4,766	2,619	2,380	7,393	8,371	2,437	1,611	2,911	416
Professional, technical, and kindred workers.....	2,453	2,157		109	39	8	78	23			8	31
Farmers and farm managers.....	4,284		3,767	23	8	8	31	39		330	47	31
Managers, officials, and proprietors, excluding farm.....	5,575	150	17	3,990	164	296	413	228	132	10	72	103
Clerical and kindred workers.....	2,831	296	8	125	2,040	78	39	100	55		75	15
Sales workers.....	2,277	31	24	148	101	1,802	62				23	55
Craftsmen, foremen, and kindred workers.....	7,086	109	85	164	62	23	5,559	709	36	33	257	49
Operatives and kindred workers.....	8,504	31	23	111	117	101	869	6,518	26	72	581	55
Service workers, including private household.....	2,605	31		39		23	101	106	2,149	8	132	16
Farm laborers and foremen.....	1,499		228	16			20			1,083	73	53
Laborers, excluding farm and mine.....	2,727		27	41	80	41	252	544	39	67	1,628	8
Occupation not reported.....	70	16	7		8		8	16			15	
<b>FEMALE</b>												
Total employed in both census and CPS.....	14,420	1,595	73	463	4,525	1,409	230	2,671	3,108	163	65	118
Professional, technical, and kindred workers.....	1,523	1,445		8	29	15	8		10			8
Farmers and farm managers.....	64		41							23		
Managers, officials, and proprietors, excluding farm.....	637	23		346	77	92	8	8	61			22
Clerical and kindred workers.....	4,505	92		38	4,212	92	15		25			31
Sales workers.....	1,396			23	115	1,179	8	15	48			8
Craftsmen, foremen, and kindred workers.....	193			15			107	71				
Operatives and kindred workers.....	2,746	8		61	15	15	77	2,512	18		47	8
Service workers, including private household.....	3,148	17	9	33	31	16	7	41	2,926	27		41
Farm laborers and foremen.....	156	10	23						10	113		
Laborers, excluding farm and mine.....	42										18	
Occupation not reported.....	10								24			

Source: Unpublished tabulations from census-CPS matching study.

In summary, the net difference of 3.5 million between the census count and the adjusted CPS estimate of the civilian labor force is the result of many gross differences in classification, reflecting both changes in status between the two visits and incorrect reports in one or the other enumeration. The census-CPS matching study shows that for the great majority of the population—92 percent—the census and CPS enumerators reported consistently on labor force status, that is, whether or not a person was in the labor force. This occurred even though the experience, terms of employment, and many other operating conditions under which the two sets of enumerators worked were vastly different. Where there was disagreement, it was not always in the same direction. But when the two sets of reports for identical persons are balanced, the CPS interviewers were found to have uncovered more evidence of labor force activity among self-employed workers, unpaid family workers, and wage and salary workers working less than full time. These were employed chiefly in agriculture, retail trade, and service industries. Most of the shortage of unemployed workers in the census data as compared to the CPS reports was among persons classified as nonworkers by the census enumerators, although about one-quarter of the difference was the result of classifying persons as employed rather than unemployed.

Senator PROXMIRE. Mr. Widnall wants to ask a question.

Representative WIDNALL. How many enumerators are there for this purpose?

Mr. BOWMAN. Do you mean for the CPS, or the Census?

Representative WIDNALL. For the CPS.

Mr. BOWMAN. I don't really have that number, but we can get it for you.

Representative WIDNALL. To take the 35,000 count?

Mr. BOWMAN. To take the 35,000 households.

Representative WIDNALL. And they work for what, a week or 2 weeks at a time?

Mr. BOWMAN. Well, they work on other surveys besides this one. This one is taken for a given week, the week including the 12th of the month, and it is taken in the week following the week which includes the 12th. And Miss Martin here tells me that it would be about 550 enumerators which would be doing this job.

Now, the 1960 census had about 160,000 enumerators. So in one case you are training 550 enumerators and in the other case you are training 160,000 enumerators.

Representative WIDNALL. As a matter of interest, when they finish with their census work, are they considered unemployed?

Mr. BOWMAN. These people are really employed regularly.

Representative WIDNALL. And the 150,000 that took the biennial—

Mr. BOWMAN. The 160,000?

Representative WIDNALL. Yes—were they considered unemployed?

Mr. BOWMAN. In the weeks in which they were working they were definitely considered as employees.

Remember, our concept of employment is this: Anybody who works during the survey week for 1 hour or more, for any small amount of time, is considered in that week to be employed.

Representative WIDNALL. You are missing my point. The people, the housewives and others who are employed in the census, the 160,000 people who were employed at that time, when they finished their work were they then counted as unemployed?

Mr. BOWMAN. That would depend. If when they finished their work and did not have another job and were looking for one, they would be considered as unemployed.

Representative WIDNALL. If they told you they wanted more census work, would that be looking for it?

Mr. BOWMAN. There are, of course, other census jobs. If they applied during the survey week, that would be one element of looking for work. But many of them might withdraw from the labor force altogether, they might say that they would not be looking for another job, they took this as a part-time special job, and then they drop out of the labor force. They are not counted as employed, and they are not counted as unemployed. Many people don't realize that as you move from month to month the unemployment figures sometimes don't go up by the amount by which employment goes down, because some of the people who are disemployed drop out of the labor market.

Senator CLARK. Because they are not looking for work?

Mr. BOWMAN. They are not looking for work.

And this concept is the concept of a free labor market in which we are trying to find out what resources are available for employment and how many are employed and how many are unemployed.

Senator PROXMIRE. Mr. Knowles wanted to ask a question.

Mr. KNOWLES. I just wanted to correct one impression, an unfortunate impression that crept in a moment ago, that at some point the Bureau of Labor Statistics had a field crew that started taking this survey. This survey was always taken by the Census and the Census has always had responsibility for the field crew and the sampling, and the BLS has only since July 1959 taken over the responsibility for what, in effect, is the reporting and the analysis. But the basic fieldwork and the sampling has always been and still is the responsibility of the Census.

And I want to point out one more thing about this 1950 census. I refreshed my memory from Clarence Long's work in which he has an appendix on this point, he will be here this afternoon, you know, and that is, if you look at the detail of the labor force on employment and unemployment in the census of 1950, and in the current population survey for the overlap period during 1950, you will find that two counts are very closely identical for the ones which would be easiest to identify and count, that is, males 25 and over, these two counts are almost identical.

Now, of the 3½ million that didn't turn up in the labor force in the census and did in the monthly survey, you find that 2.7 million of these were part-time workers, which are hardest to identify in household count. They were individuals with jobs but not at work in the number of 200,000. And the jobless was about 600,000. And they were all marginal types of jobless, married women, types where the enumerator is most likely to go wrong if he is not well trained, or if he is not just doing this, if he is doing a lot of other things he is liable to slip up.

So the reason we have so much confidence is that when we checked the items where these two groups with different amounts of training would be most likely to come up with the same answers, we

find they come up with almost exactly the same answer, and if you check back and have a superior enumerator go back and visit the same household, we find that when they got the wrong answer, it involves the ones that are hard to identify.

And it is for that reason that the current population enumerator is trained to make sure he doesn't slip up on the marginal cases, the cases of the people who are hard to identify as to their relation to the labor force. And we have confidence in the fieldwork, it isn't merely that there is a difference, it is the fact that when you find the difference you will find it in the part where the enumeration is most difficult, and you will expect the sample of the superior trained personnel to have the right answers.

Senator PROXMIRE. Mr. Bowman?

Mr. BOWMAN. I think I stated my confidence in the training of the personnel, and particularly in the supervision of the survey.

Let this statement be misinterpreted as representing complete satisfaction with the status quo, in what follows I shall indicate what I feel to be the major lines for improvement in the future, as well as describing the events of the recent past.

#### LABOR FORCE STATISTICS FROM THE CURRENT POPULATION SURVEY

As a result of the recommendations of the Review of Concepts Subcommittee, a change was made in 1957 in the definition of the unemployed. Two groups that had formerly been classified among the employed as "with a job but not at work" were transferred to the unemployed. These were persons who were on temporary layoff with instructions to return to work within 30 days, and persons who were waiting to start a new job within 30 days—students waiting to start a new job were transferred to "not in the labor force" rather than to the unemployed.

This change in the definitions was given almost universal support. It recognized the growing tendency to rely on temporary layoffs as a prelude to outright dismissal. If such temporary layoffs are not included in the count of the unemployed, the beginning of a downturn may be blurred in the statistics.

Representative WIDNALL. May I interrupt at this point?

Senator PROXMIRE. Go ahead.

Representative WIDNALL. In these figures on economic indicators, unemployment, and wages, now, there is a figure for unemployment for 1954 of 3.6 million. These figures for 1958, 1959, and 1960, did they include the additional 300,000 that you found by a redefinition of unemployment as against a 3.6 million which didn't have that redefinition of unemployment, is there a 300,000 difference in comparison with those figures that doesn't show in the table?

Mr. BOWMAN. After we had changed the definition the series was adjusted to include these people throughout the entire period 1947 to the present time. In other words, we had been collecting this type of information separately so that it was possible to make an adjustment in the series for past years, beginning with 1947.

Furthermore, the figures are still obtained separately and if anybody really likes the older concept better than they like the present



concept, they could take them out of one place and put them into the other place.

Representative WIDNALL. I am not arguing with the concept as such. What I am interested in is whether or not this clearly reflects the differences as between years, taking that into account.

Mr. BOWMAN. Sufficient information on the groups that were changed from employed to unemployed was available to permit carrying the change back to 1947 in the employment and unemployment series, and the groups are still kept separate so that each month it is possible to tell how many persons on temporary layoffs or awaiting the start of a new job are included among the unemployed.

Prior to this change in the definitions, a major change was made in sample size with the expansion of the sample for the current population survey by two-thirds in the spring of 1956. At the same time that the number of households was increased, the sample was improved by increasing the number of primary sampling units from 230 to 330 areas. The result has been to reduce the sampling variability of the major labor force categories by about 20 percent. The change in the sample design was accomplished under strict controls, with the advice and review of the policy committee on the current population survey, of which I am chairman, and the transition was made very smoothly without disturbing the series. The sample expansion has permitted showing more detail in cross-classifications and finer breakdowns, such as the provision of a considerably expanded list of occupations, employment status categories by regions, and considerably more information on the characteristics of the unemployed.

Since the 1955 hearing, a major change has been made in the responsibility for the program of labor force statistics. Labor force aspects of the current population survey are now in the hands of the Department of Labor which plans and budgets for the statistics, analyzes the results, and is responsible for planning new types of data to be collected. The Bureau of the Census, as agent for the Department of Labor, continues to collect and compile the data as a part of the operation of the current population survey. The shift in function was made in July of 1959 and was accomplished smoothly with the two departments working in close harmony. Detailed release of the data from the household survey is still made in combination with the data from employer reports and unemployment insurance records but the release is in the hands of one department so that the Bureau of the Budget has gratefully relinquished its monthly task of steering a joint release to publication. In addition to publishing a combined release, now called the Monthly Report on the Labor Force, the Department of Labor has instituted a preliminary release of the key labor force figures as soon as they have become available each month.

Senator PROXMIRE. May I ask at this point, what is the appropriation currently for this whole purpose broken down between the Department of Labor on the one hand and the Census on the other?

Mr. BOWMAN. The Labor Department for its portion of the current population survey receives something over a million dollars, I think

with certain increases this year it will be \$1.3 million, including funds for the special survey on characteristics of the unemployed. The overall current population survey is in the neighborhood of about \$2 million.

Senator PROXMIRE. The current population survey. Is there any way you can tell how much of that is concerned with unemployment?

Mr. BOWMAN. I would say that the \$1.3 million that I mentioned is the labor force survey, and you can't separate the unemployment part from the labor force employment survey.

Senator PROXMIRE. That \$1.3 million includes more than simply the unemployment statistics?

Mr. BOWMAN. It includes the employment statistics from households, it does not include the employment series which the BLS itself runs which is based on reports from employers, nor does it include the cost of the unemployment data that arises out of the administrative records of unemployment compensation.

Senator PROXMIRE. You feel that there is no way you can make a fair or accurate estimate of how much this whole operation costs? I am thinking in terms of justifying the kind of additional information which many of us feel is desirable in pointing out the very modest cost of getting information which is of tremendous importance to policy decisions.

Mr. BOWMAN. I will be glad to submit it for the record. It can be done.

Senator PROXMIRE. Will you do that?

Mr. BOWMAN. Yes, indeed.

Senator PROXMIRE. That would be very helpful.

(The figures requested are as follows:)

For fiscal year 1962, the cost of operating the current population survey is expected to total \$2,044,000. This includes \$1,062,500 transferred to the Bureau of the Census by the Bureau of Labor Statistics, for the direct costs of collecting the monthly labor force, employment and unemployment data and two supplements, one on work experience, and one on multiple jobholding. Cost of the special survey of the unemployed to be taken next spring is not included. The census share includes the cost of maintaining the current population survey sample; the cost of two supplementary surveys, one on income, family composition and migration, and one on school attendance, both also useful in labor force analysis; and a small amount for demographic analysis of data collected from the current population survey.

Mr. BOWMAN. I wonder if the committee would be interested in some of the history that was associated with the joint release, and, of course, some of the political flavor that gets into statistics if you are not extremely careful. You may remember that this committee encouraged in 1954 the establishment of a joint release, because at that time the Census Bureau had been releasing data on employment and unemployment from the current population survey somewhat earlier than the Labor Department was releasing information on employment from their employers' reports. Confusion arose with regard to the interpretation of these two series by two different agencies. The Joint Economic Committee, the Council of Economic Advisers, and the Bureau of the Budget worked to establish a joint release, both bodies of data being released simultaneously, and analyzed together.

And the release generally came out saying, "The Secretary of Commerce and the Secretary of Labor indicate the following."

This worked very successfully for a considerable period of time.

One difficulty which you may remember is that the data from the household survey are available several days in advance of the data from the employer reports. We tried to hold the data so that they could be released simultaneously. When we did that, we were accused of not giving information which was available, and when it leaked out we were accused of leaking the information prematurely when it was favorable to us and not doing it when it was unfavorable to us.

This was not the responsibility of the statistical part of the system, I can assure you of that. But we did our best to maintain the joint release. With the new administration we decided that irrespective of the fact that there are some advantages in not releasing one body of information ahead of the other, that the best public policy was to release the information briefly as soon as it is available, and then follow it with a release which jointly analyzes both bodies of information. That is the practice now being followed. And I wanted to be sure that this was understood.

The household survey data are made available as soon as the survey is completed, and later on the household survey data and the employer report data are put out in a combined, although not a joint, release.

Senator PROXMIRE. Thank you.

Mr. BOWMAN. One purpose in shifting the responsibility for planning the monthly statistics on the labor force was to encourage greater use and analysis of the series which might be expected if major responsibility was lodged in the Department with manpower responsibilities. There has already been an increase evident in the amount of analytical use of the data, I believe, some of which has been submitted in reports and study papers to the Joint Economic Committee, and I am confident that there will be still more in the future.

In using labor force figures in interpreting current economic conditions, one analytic tool of great value is the use of seasonal adjustments. There were being developed by the Census Bureau at the time of the 1955 hearings. Since that time the seasonal adjustment program has been improved and expanded, first by the Bureau of the Census and later by the Bureau of Labor Statistics. Seasonal adjustment factors are now published for all the major labor force categories, many of them separately for four age-sex groups. Last year a system for seasonally adjusting the unemployment series by a "component" method was adopted in which the age-sex groups are adjusted separately and then added to obtain an adjusted total unemployment estimate. This method was designed to obviate some of the difficulty experienced with the June influx of students into the labor market at various levels of unemployment.

Research is continuing on methods of improving the seasonal adjustment procedures further. Use of the "residual" method which has appeared so attractive to a number of persons who have spoken for it in the public press recently, does not, in my opinion, offer any real improvement and involves a number of undesirable features

which argue against its use. Over the past 2 years, the possibilities of this method have been investigated by competent Government statisticians, who came to a general conclusion that it is not an appropriate method.

Senator CLARK. I would like to know what the residual method is. I am kind of ignorant.

Mr. BOWMAN. The residual method is this: We have seasonal adjustment factors for the labor force, we adjust the labor force. We have seasonally adjusted factors for the employment, we adjust that series. Then you get the seasonally adjusted unemployment as a residual by subtracting the seasonally adjusted employment from the seasonally adjusted labor force.

Now, this will make the series add up after seasonal adjustment just as they did before seasonal adjustment.

The way we have been doing it, however, is to seasonally adjust each series independently by developing the best factors that we can for that series. This will mean that after seasonal adjustment the series will not add up as they did before seasonal adjustment, by minor amounts.

Now, I would like to make the statement that the residual method is not a bad method, my only point is it is not demonstrated as a superior method to the method we are now using. And this is a very technical point on which there can be a great deal of technical, statistical debate. But I did want to be on the record in saying that we have studied this method, we have studied a lot of other methods, and at the present time we don't believe the evidence warrants shifting from the methods we are now using to this new method. But certainly this new committee will be examining that.

Senator CLARK. Do you treat later in your paper the question of why you do adjust seasonally?

In Pennsylvania we don't, perhaps because we don't have adequate staff. But is it so important to adjust seasonally? And why, very briefly?

Mr. BOWMAN. I don't discuss that in the paper.

Seasonal adjustment is very important if you want to really know what is happening cyclically. In other words, ordinarily a person picks up a figure, and he says, this month is higher than last month. That may mean absolutely nothing. It may mean that this month is really going down so far as the cyclical movement is concerned, and unless you can get some way of measuring the normal seasonal movement, you don't have any idea of what your economy is really doing.

Senator CLARK. Could you enumerate perhaps half a dozen factors which are most important in seasonal adjustments?

I assume that graduation of young people from school is one, and Christmas employment is another. What are the principal ones?

Mr. BOWMAN. It varies for each individual series. For instance, if you are dealing with a retail trade series, it is influenced by Easter holidays and by the summer vacation periods. In unemployment and employment it is influenced to a considerable extent by the influx of college students into the labor force in the summertime, and their withdrawing from it as they go back to universities and schools. There are other factors, however. For instance, agricultural employ-

ment is affected by the seasons. I might note that many of the agricultural people that are employed in the summer months are not counted as unemployed in the winter months. They are just not looking for work; they are outside the labor force.

Senator CLARK. Why is October always a pretty low unemployment month and November and December, also, and then January and February show greater unemployment? That isn't affected by students and it isn't affected by agriculture.

Mr. BOWMAN. It is basically the construction industry.

Senator CLARK. Yes, but December is always pretty good.

Mr. BOWMAN. In December you pick up employment for the temporary holiday season in retail trade. There are a variety of seasonal factors all affecting different segments of the labor force in different ways.

Senator PROXMIRE. I want to go along with whatever Senator Clark and Congressman Widnall want to do, but in view of the fact that it is now 11 o'clock and you are now about a third of the way through your statement, and we have Mr. Eggert coming up, it might be best if you proceeded and we will ask questions when you are through, if that is all right with you.

Mr. BOWMAN. A number of different types of supplementary labor force data have been collected in connection with the Monthly Report on the Labor Force, as recommended by the Review of Concepts Subcommittee:

Information on persons with a job but not working during the survey week is now obtained separately for those who were paid for the time off and for those who took time off without pay. This information is of interest in itself. It also provides one of the pieces needed to study differences between the household survey and employer reports of employment.

A survey of the amount of multiple-job holding has been taken once a year.

More characteristics of unemployed persons, more occupational details for the employed, have been published.

In addition, the supplementary surveys, each taken once a year, on income and weeks worked during the preceding year have been taken in adjacent months and related for the overlapping parts of the sample, so that earnings may be related to the number of weeks worked during the year.

Finally, a number of processing improvements have been made. Census has strengthened its system of quality controls over the work of enumerators, with scheduled observation of interviews or reinterviews by supervisors to insure that standards are being maintained. And only this fall the Census Bureau has adopted a Fosdic schedule (film optical sensing device for input to computer) which further mechanizes the data input to the computers. Once enumerators become fully familiar with the new format, it is expected that operational advantages will accrue because the new form is larger, more legible, and more flexible than the former mark-sensing form which had severe size limitations.

Despite this record of accomplishment, two important recommendations of the Review of Concepts Subcommittee, although accepted in principle, have not yet borne fruit. The first of these was that the Census Bureau—

should undertake, as soon as it is feasible, a series of tests and experiments relative to the proposals still under review—

proposals which dealt with the question of—

whether there are any changes in definitions or enumerative procedures which would lead to more effective measurement of what is intended to be measured under present labor force concept.

The reasons for the delay in implementing this recommendation illustrate the difficulty of experimenting in this field. It is well recognized as the result of experiences during the first decade of operation of the current population survey, that probing questions or a considerable change in question design may change enough responses to materially affect, not only the particular supplementary questionnaire being tried out, but also, possibly, the basic questions. Experiments, therefore, should desirably be undertaken apart from the basic survey. It did not seem wise to engage in a series of tests and experiments during the time of the sample expansion in 1956. This was followed by a series of tests of the 1960 Census of Population questionnaire, tests which absorbed the time of the planning staff at Census. Then came the 1958 recession, again not a suitable time to plan elaborate tests, and this was followed by the actual operation of the 1960 census.

For similar reasons, the other recommendation, for additional research studies on such subjects as the characteristics of the unemployed, their job-seeking and job-holding history, have had little attention to date.

Prospects for undertaking some of this work are considerably brighter now, however. In the first place, the Bureau of Labor Statistics has funds this year to engage in a series of studies of the unemployed, the most extensive being a survey in depth of the characteristics of the unemployed, their employment and job-hunting experiences over several years, the impact of their unemployment on the labor force participation of other family members and on family income, and other factors affecting unemployment status. This is the type of analytical survey recommended by the Review of Concepts Subcommittee.

May I note, Mr. Chairman, that these were all organized before any debate in the press indicated any problems associated with unemployment statistics.

Secondly, there is a plan to establish a second panel of the current population survey—another sample, perhaps half as large as the main panel, but providing valid national estimates, which could serve to obtain some of the information now obtained in supplementary questions to the main survey. Such a panel might be interviewed only once a quarter at first, until demand of other Government agencies for the use of the panel grew. Such a survey panel would provide an ideal mechanism through which trained interviewers might be used to ask experimental questions in tests of definitions and concepts or development of analytical studies without directly affecting the answers to the regular monthly survey.

Going beyond the present fiscal year, the Bureau of Labor Statistics has plans for obtaining additional information on the labor force, particularly concentrating on additional occupational information; factors affecting worker mobility, especially occupational mobility; the determinants of labor force growth; and the problems of selected

groups, such as youths and minority groups with high unemployment rates. Both in 1962 and later, it is hoped that work can be undertaken dealing with the results of depressed conditions in particular areas on labor force participation rates: Do people become discouraged and leave the labor force under such conditions? How may such people be identified? How are such situations reflected in current estimates of local conditions?

Finally, there is in prospect the normal decennial chore of incorporating the newly available information from the 1960 Census of Population into the current population survey estimates. Two aspects are involved. In the first place, the Bureau of the Census will gradually move over to the development of sample materials—lists of housing units—from the 1960 census rather than using 1950 sources. Secondly, the population weights used in the estimates will be based on the 1960 census figures rather than using population estimates carried forward from the 1950 counts.

#### CURRENT EMPLOYMENT STATISTICS BASED ON PAYROLL REPORTS

As this subcommittee is well aware, there is another source of information on employment, the current employment statistics series developed by the Bureau of Labor Statistics in cooperation with the Bureau of Employment Security and the State employment security agencies and based on payroll records of employers. These series provide information on employment, hours, and earnings for detailed industrial categories, for the Nation, for States and for more than 100 metropolitan areas. In my previous testimony I discussed at some length why we have two different types of employment statistics and described the distinct uses which they serve.

Since that time, the payroll employment statistics have been improved in a number of ways. Most recently, the national series have been reissued for the period January 1958 to date on the basis of the revised standard industrial classification. At the time this major overhauling of the system was underway, improvements were introduced in the samples, the estimating procedures and the benchmark data. For the major series, changes were carried back in most cases to 1939 or even earlier so that economic analysts may have consistent series over time. Employment series have been prepared for additional industries on a national basis, and for additional areas, as well, in the State and local series.

Over the years there has been a gradual buildup in the trade and service samples so that more industries are published separately and the reliability of the estimates has been strengthened, although the service sector remains a difficult area in which to provide adequate samples without disproportionate cost increases. These changes have all been in line with the recommendations of the Review of Concepts Subcommittee.

The Bureau of Labor Statistics has obtained monthly information on overtime hours in manufacturing industries since 1956 as an additional indicator of current economic conditions. In line with the Review of Concepts Subcommittee recommendations, information on hours worked is being collected in addition to the regular in-

formation on hours paid for. The information on hours worked is collected annually in connection with surveys of fringe benefits and so far has covered only manufacturing and mining industries, but it is hoped to extend coverage to other sectors on a rotating basis in future years.

Seasonal adjustment of the employment series has recently been brought up to date, using the same methods as those in use for the household survey, including a provision for "moving" adjustment factors to take care of changing seasonal patterns. At the same time, seasonally adjusted average hours figures have been provided for manufacturing industries, facilitating use of these important series as economic indicators.

The Bureau of Labor Statistics has developed an annual series on the employment of scientists and engineers by private industry, sponsored until recently by the National Science Foundation but now a part of the regular Bureau of Labor Statistics employment statistics program, which provides information on the numbers, specialties, and functions of this important and growing segment of the "nonproduction worker" group.

If present plans materialize, more information on nonproduction workers is in prospect. The Bureau of Labor Statistics plans to develop annual estimates of the hours and earnings of these workers as measures of labor input for use in productivity estimates. This plan would fulfill another of the recommendations of the Review of Concepts Subcommittee. Also in prospect are further strengthening of the sample of establishments, particularly in service industries, and collection of average hours and average earnings figures for additional nonmanufacturing industries, industries for which only employment estimates are now available.

These planned improvements are all logical developments for strengthening the current employment statistics series and most of them were spelled out by the Review of Concepts Subcommittee 6 years ago. Since that time, other needs have been clarified. Most important is the development of current estimates of employment by occupation for each major industry, and, building on these, the projection of these estimates into the future. Information on occupations throws light on the skills of the work force. To tie in with the future outlook, such information needs to be related to specific industries. The Bureau of Labor Statistics is now developing plans for a program in this field, which would use current data from the Monthly Report on the Labor Force, from wage surveys, from the industry employment series, the information on scientists and engineers, and other available series, supplemented by special inquiries where necessary, to provide current estimates of employment by occupation within industry. Since labor with the appropriate skills is one of the important determinants of the national product, and since the projected national product indicates the probable future demand for labor, this project is closely related to the work that is starting on economic growth and with other projections of the levels of economic activity in the future. Projections of labor supply and demand are also wanted in studying problems which must be faced in the development of a national manpower policy, problems of edu-



cation, training, placement of young workers, obsolescence of skills and similar questions. This is a difficult area of work, in which the skills of the economist, the statistician and the labor force analyst must be joined. I do not anticipate speedy results, but point to the areas of occupational manpower levels, future requirements, and factors affecting occupational mobility as the ones most likely to engage our attention in the years ahead.

#### INSURED UNEMPLOYMENT

Let me touch briefly on this series. In addition to providing essential information for the planning and operation of the State employment security systems, this series is of general economic interest because it provides weekly information and because information for States and areas is available on a very current basis. This is a notable example of the use of administrative data to produce highly useful "byproduct" statistics.

Since 1955, a number of improvements have been made in the basic series, including the publication of a seasonally adjusted rate of insured unemployment each month, and the elimination of certain administrative effects, rescheduling of claimants because of holidays, for example, from the insured unemployment series.

Following the Review of Concepts Subcommittee recommendations, moreover, the Bureau of Employment Security has encouraged State agencies to engage in a number of research projects which have thrown light on the relationship of the insured unemployment series to estimates of total unemployment for States and areas. Such studies have provided estimates of unemployment among workers who have exhausted their benefit rights, have indicated that laid-off workers do not all file for benefits immediately and have provided information on the reasons for the delayed filing. These studies are being continued to obtain data for different phases of the business cycle, in different States with different unemployment compensation laws, but the Bureau of Employment Security has meanwhile been enabled to design an improved method for estimating total unemployment for States and areas, based on insured unemployment, relationships found in these special studies and relationships shown by the National Monthly Report on the Labor Force. As a result, the system for classifying areas in accordance with relative labor supply has been strengthened.

Also in line with suggestions of the Subcommittee on Review of Concepts, the Bureau of Employment Security has been developing information on the characteristics of the insured unemployed. Information is obtained monthly by State on the age, sex, industry, occupational group, and duration of insured unemployment status, and quarterly by more detailed occupational listings. This information is being supplemented by special surveys of the characteristics of persons receiving benefits under the Temporary Extended Unemployment Compensation Act of 1961. So far, it is my impression that the information on the characteristics of the insured unemployed has been of use primarily within the unemployment compensation system. This is partly a function of the newness of the series, partly

a matter of the difficulty of interpreting the series in the light of differences in State laws and difference between insured unemployment and total unemployment. However, the availability of this information for individual States, an amount of geographic detail not possible from the Monthly Report on the Labor Force at reasonable cost, should not be overlooked by economic analysts as well as persons interested in studying local labor markets.

Further reliance on the insured unemployment series on State and area bases is in prospect for immediate purposes of manpower planning, area redevelopment, and manpower rejections. Already about 30 States are making estimates of total unemployment for the State as a whole, in addition to the 150 local areas for which such estimates are made monthly. Strengthening of such estimates will be of concern as will the development of research projects to analyze the relationships between the insured unemployment series and the estimates of total unemployment obtained from the Monthly Report on the Labor Force. A modest beginning in this direction is now being made.

#### FARM EMPLOYMENT

The Review of Concepts Subcommittee also considered the farm employment series prepared by the Department of Agriculture and based on the reports of farmers on the number of persons working on their farms. Since that time, the series have been shown separately for the major farming States. The series for some of the States are being strengthened by tying in with the June enumerative surveys now undertaken in many States as part of the improved crop and livestock reporting program. Farm employment is now obtained in the June survey, but the samples have not been large enough to permit using these data as State benchmark levels for the monthly estimates developed from mailed schedules.

In this short review, I have tried to sketch the major advances which have been made in the past 6 years, at the same time indicating in a general way the prospects for future improvements. It is my hope that the President's Committee to Appraise Employment and Unemployment Statistics may contribute further direction to our thinking on ways to improve, expand, or supplement the present series. I look forward to their suggestions with interest.

The Office of Statistical Standards will continue to exercise its functions of statistical surveillance and planning for improvements. In this connection, I should like to express my gratitude to this Subcommittee on Economic Statistics for its continued interest and support, for its valuable suggestions, and for the real contribution it makes in providing the opportunity for a review and analysis of the statistical series and an interpretation of the results.

Controversy over the unemployment figures during periods of high unemployment is to be expected. Such controversy is naturally the occasion for searching review of the statistics in relation to the needs and uses they are expected to serve. The occasion of such controversy, representing as it does a quickened public interest in labor force statistics, should also be used to promote improvements in the series and to extend public understanding of what is being measured.

I suggest, then, that advantage be taken of the current interest and concern with unemployment problems to acquaint the public generally with the basic issues of concept and measurement. Little has been written for the seriously interested layman on what is being measured and why. In an effort to fill this gap, the Office of Statistical Standards has prepared a statement, which I am glad to supply as a part of my testimony, called "Unemployment Statistics: Meaning and Measurement" [app. II]. This is just one attempt to make the statistics more intelligible to the general public; I am sure that many more are needed.

Furthermore, more analysis of these statistics should reach the public than is contained in the overall totals headlined in the press. A wealth of detail is provided each month and described for the technical user, but more interpretation for the general reader should be encouraged. There is an illustration of such an analysis in the paper I just mentioned. Another example has recently been provided by Murray Wernick of the staff of the Federal Reserve Board. With the subcommittee's permission, I should like to add a copy of Mr. Wernick's statement to my testimony as a further example of types of analysis of interest to a wider public [app. III]. However, I believe that neither the regular program for technical publication of results, nor the occasional publication of papers such as these, will meet the need for wider understanding and use of the figures. The impetus for greater use of the figures must come primarily from nongovernmental sources. To this end, every effort must be made to increase understanding and confidence by using every opportunity to improve the employment and unemployment statistics for the analysis of public policy issues.

Thank you, Mr. Chairman.

(The material referred to follows:)

#### APPENDIX I

##### STATEMENT ON PROGRESS IN IMPLEMENTING RECOMMENDATIONS MADE BY THE REVIEW OF CONCEPTS SUBCOMMITTEE<sup>1</sup>

###### A. LABOR FORCE STATISTICS FROM THE CURRENT POPULATION SURVEY

###### *Recommendation 1*

"That the concepts according to which the employed and unemployed are distinguished from the remainder of the population be on the basis of current activity and job or labor market attachment. These are the basic concepts presently in use."

This recommendation accepted the concepts already in use and therefore did not require any change.

###### *Recommendations 2, 3, and 4*

"That persons on temporary layoff with definite instructions to return to work within 30 days of layoff be shifted from the employed to the unemployed categories.

"That persons waiting to start a new wage and salary job within 30 days (except those currently attending school as a major activity) be shifted from

<sup>1</sup> For a listing and discussion of the purpose of the recommendations, see "Interim Report of the Review of Concepts Subcommittee to the Committee on Labor Supply, Employment, and Unemployment Statistics," reprinted in full in "Employment and Unemployment Statistics," hearings before the Subcommittee on Economic Statistics, Joint Committee on the Economic Report, November 1955, pp. 6-24.

the employed to the unemployed categories. Those currently attending school would be shifted out of the labor force.

"That persons waiting to start a business or to start operating a farm within 30 days be shifted from 'with a job but not at work' to 'at work,' if they spent any time at all in completing their arrangements. Otherwise, they should be classified as 'with a job—taking time off.'"

These recommendations were accepted and put into effect with the publication of statistics for January 1957. It was possible to make adjustments backward in time for the major labor force categories (although not for all the detailed cross-tabulations) so that consistent series on the new basis are available from 1947.

#### *Recommendation 5*

"That concepts and measurement be implemented more effectively by specific instructions to enumerators to classify persons who report they were not working at wage or salary jobs because of slack work, lack of orders, inventory taking, or similar reasons, as on layoff. (Such persons do not always consider that they have been laid off and are therefore sometimes found in the 'other—with a job' group.)"

Changes were made in the instructions to enumerators to emphasize the importance of classifying persons who were not working for economic reasons as being "on layoff." There had been some suspicion that possibly some of such people were being misclassified. Although the recommendation was accepted and the instructions made more specific, the effect on the statistics has been negligible.

#### *Recommendation 6*

"That, as soon as feasible, the Bureau of the Census should obtain each month information on whether or not wage and salary workers with a job but not at work are being paid, in order to permit further analysis of certain groups and to provide data for use in reconciliation with other series."

This recommendation was accepted. Beginning June 1956 a question was added to the survey to obtain this information each month. The monthly releases show for wage and salary workers who are "with a job but not at work" during the entire survey week, the percentage who were paid for any of the time off, by reason for not working—vacation, illness, bad weather, etc.

#### *Recommendation 7*

"That the Bureau of the Census should undertake, as soon as it is feasible, a series of tests and experiments relative to the proposals still under review outlined in part II, proposals upon which the Subcommittee will subsequently report."

Although accepted in principle, no specific action has been taken on this recommendation to test alternative definitions of "looking for work." Responsibility for developing the research program is now in the hands of the BLS. It is hoped that methodological studies, at least on a small scale, can be started this year and expanded in the future, following the review of the Committee To Appraise Employment and Unemployment Statistics.

#### *Recommendation 8*

"That occasional surveys and research studies should be undertaken to provide data which are not recommended as part of the regular monthly survey which have substantive value on their own account or are useful for improving understanding of the reasons for differences among the various Federal employment and unemployment series. Such studies would include:

"(a) Potential workers who would be in the labor force and looking for work under specified conditions, with special attention to persons who have dropped out of the labor force because of discouragement, illness, etc.

"(b) Multiple-job holders who hold two or more jobs concurrently, and those who, within the survey weeks, are in two or more jobs because of job changes. (See also sections on AMS and BLS series.)

"(c) Children under 14 in the labor force, with particular emphasis on the activity of those in agriculture. (See also section on AMS series.)

"(d) Detailed characteristics of unemployed persons including their family employment status and income, their jobseeking and jobholding history, present job aspirations, and factors bearing on suitability for employment."

This recommendation was accepted and some of the suggested surveys have been undertaken:

"(a) No special surveys of potential workers have been made.

"(b) Multiple-job surveys were made for 1 month in each year since 1955. In 1960, a distinction was made between multiple jobs held concurrently and those held consecutively during the survey week. The number who changed jobs during the week was found to be a negligible proportion of persons with two or more jobs.

"(c) One survey of employment of children 10 to 13 has been made.

"(d) Marital status of unemployed persons, as well as others in the labor force, is now shown monthly. Collection of new types of information on the unemployed, as recommended by the Subcommittee, is scheduled for the next spring. Furthermore, more of the regularly collected detail on characteristics of the unemployed is published each month; for example, selected personal and economic characteristics of persons unemployed for 15 weeks or longer. Number of spells of unemployment during the year has been obtained each year since 1955 in connection with the annual survey of work experience. Finally, in recent years, more detail has been added to an annual survey of the marital and family status of labor force participants; for example, whether the wives of unemployed workers are themselves employed, unemployed, or not in the labor force.

#### B. CURRENT EMPLOYMENT STATISTICS BASED ON PAYROLL REPORTS

##### *Recommendation 1*

"The Subcommittee believes that the quite distinct BLS and the CPS employment concepts each serve a useful purpose and should be maintained. However, more information should be obtained on the nature of the differences between the series created by the difference in concepts. The subcommittee recommends specifically that the Bureau of the Census and the Bureau of Labor Statistics undertake new studies on the number of multiple-job holders and the kinds of jobs they hold (by industry and time worked) under varying business conditions. Similarly, the Subcommittee recommends that the BLS undertake studies of the effect of turnover on the employment estimates under varying business conditions, with special reference to payroll periods longer than 1 week."

The recommendation to continue the current employment statistics series with unchanged basic concepts (this is, the number of persons reported on establishment payrolls as working or receiving pay) was accepted. There was also acceptance of the general proposition that more information should be obtained on the differences in the series created by the difference in concepts.

A beginning has been made in this direction. As noted above, a number of studies of multiple-job holding have been undertaken. Monthly information on persons "with a job but not at work" who are not receiving pay for their time off is also available to help evaluate differences in month-to-month movements between the two series. Studies have not been undertaken to measure the effect of turnover on the payroll employment estimates.

##### *Recommendation 2*

"Under the Subcommittee's proposals for CPS, persons will be counted as employed who had a job from which they were absent for the following reasons: Illness, bad weather, vacation, labor dispute at place of work, taking time off. Persons in these categories are not counted as employed by BLS unless they are receiving pay (for example, persons on paid vacation or paid sick leave). The Subcommittee feels that this difference remains appropriate in view of the basic concepts of each series, and recommends no further change in either. However, to assist those interested in comparisons between the two series, it has been recommended earlier that CPS provide data on the pay status of persons with a job but not at work. It is recommended also that BLS study the extent to which persons receiving pay and not working are included in its estimates. This is a special case of the problem of hours paid for and not worked discussed below."

The extent to which persons who receive pay but do not work during the entire pay period are included in the BLS estimates has not been estimated on an overall basis.

*Recommendation 3*

"The Subcommittee does not propose any change in the concept of hours paid for in connection with the BLS hours and earnings series. It recommends, however, that the attention of general users be called more prominently to the fact that various categories of hours paid for and not worked enter into these series. The Subcommittee recommends specifically that the BLS develop as rapidly as practicable measures of man-hours worked \* \* \*. It would also be desirable to have data on the nature of time paid for and not worked (whether it is call-in time, vacation, holiday, sick leave, etc.)."

Following an initial survey of manufacturing establishments to obtain annual figures on hours worked separately from hours paid for, BLS has instituted an annual "fringe benefits" survey. This survey obtains information on hours paid for but not worked during the year by cause (vacation, holidays, illness, etc.) together with selected other types of nonwage benefits paid production workers. In this program, manufacturing industries are covered once every 3 years, non-manufacturing industries in the intervening periods.

*Recommendation 4*

"The status of teachers during the summer vacation presents a difficult problem in the measurement of employment. Some teachers who work 9 or 10 months have their pay spread over 12 months; others who work the same length of time at the same annual salary may be paid in 9 or 10 installments. To avoid making arbitrary distinctions between these groups, the BLS estimates the number of regular full-time teachers employed in May and carries this number as employed in each of the succeeding 3 months. \* \* \*

"The Subcommittee knows of no treatment of this problem that is not in some respects arbitrary and anomalous. The intent of the present BLS practice is to minimize the sharp drop in employment at the beginning of the vacation period and the sharp rise at the end of summer. However, the Subcommittee believes that estimated adjustments of the type used by BLS for the summer employment of teachers should be made only if they clearly improve the usefulness of the series. Work is now in progress that promises to provide a better basis for the estimating procedure. The Subcommittee hesitates to endorse the present practice or to recommend an alternative until the results of the present work are available; it recommends accordingly, that the problem of measuring the employment of teachers in the BLS series be reviewed at a later date."

BLS considered again its treatment of regular full-time teachers during the summer months, and concluded that its method for handling this group is less objectionable than any known alternative. Current collection of the number of regular full-time teachers on school payrolls during the school year has permitted more timely estimates of those employed during the summer months.

*Recommendation 5*

"The Subcommittee has received numerous suggestions that BLS classify Government employment by industry. \* \* \* The Subcommittee recommends publication of a total Government employment series, as at present, but, in addition, the presentation of such employment by type of industrial activity, and to this end recommends the development of a definitive classification for all Government activities and the reporting of employment by Government agencies on this basis."

An industrial classification for Government establishments has been provided in the revised Standard Industrial Classification Manual, promulgated in 1957 by the Bureau of the Budget. This classification is now in use for Federal Government establishments reporting to State employment security agencies under the program for unemployment compensation for Federal employees. Summaries of this information are compiled and published quarterly by the Bureau of Employment Security. Employment of State and local governments, although classified by function in the Census of Governments, is not available classified on an industrial basis. Neither those reports, nor the monthly reports of Federal agencies to the Civil Service Commission, are prepared on an establishment basis, which makes the use of an industrial classification very difficult.

Current monthly estimates of Government employment, classified industrially, are not prepared with the exception of the distinction between "education" and "all other" for State and local government employment, and a special tabulation of employment in Federal Government shipyards.

*Recommendation 6*

"The BLS series refers to the payroll period ending nearest the 15th of the month, which is the standard reference period for establishment employment data determined by the Bureau of the Budget. \* \* \* The Subcommittee \* \* \* recommends that BLS continue its efforts to improve employer understanding of its reference period and to encourage employers to report on a weekly basis wherever possible. It is further recommended that the Bureau of Labor Statistics and the Bureau of the Budget work with the agencies responsible for collecting reports of Federal employment and railroad employment to get such data reported for the standard reference period."

The BLS procedures for editing and control of reports continue to exert an influence where misreporting of the reference week is obvious. The Bureau of the Budget has not obtained changes in the reporting periods for Federal employment and railroad employment because of problems which would arise in other uses of these reports.

*Recommendation 7*

"The Subcommittee takes notice of continuing work by the BLS, including its new quality control program, for technical improvement of its employment, hours, and earnings series. In this connection, the Subcommittee recommends:

"(a) Strengthening of the monthly sample, especially for trade and service industries, to permit publication of more industrial detail and to permit replacement of extrapolated series by direct reports; testing to determine how adequately seasonal employers are represented in the sample and in the benchmark;

"(b) Continued attention to industrial classification problems in the sample and the benchmarks; adoption of the standard industrial classification for non-manufacturing industries as soon as the current revision of this classification is completed;

"(c) Further experimentation with the use of probability samples; if found practicable, development of employment trends by size of firm;

"(d) Continuing investigation of employer recordkeeping and reporting practices, to obtain information on source and causes of errors in response, and suggest ways of reducing such errors."

The BLS has accepted these recommendations in principle, but has been unable to work on them all simultaneously. Progress to date includes:

(a) All industry estimates for trade continue to be prepared from direct reports but with additional industry detail provided as a result of gradual strengthening of the sample; in the service industries, a substantial shift has been made from extrapolated series to estimates based on direct reports from establishments, so that now more than half of the published "service and miscellaneous" industry total is derived from a sample of direct reports; an exploratory test has been made in one State to examine the problem of seasonal employers (e.g., summertime hotels and restaurants);

(b) Industrial classification problems have absorbed a considerable amount of attention. By cooperative agreement between BLS and the Bureau of Employment Security, procedures now call for identical classification of establishments in the current sample and the benchmarks maintained by State employment security agencies. The revised standard industrial classification has been adopted and the monthly estimates carried back on the new basis to January 1958 for an "overlap" period of more than 3 years. Furthermore, for major series the revisions have been carried back at least to 1947;

(c) BLS is now making estimates based on benchmarks stratified by size of establishment within each industry. In this connection, the Bureau of Employment Security has instituted a reporting program to obtain from State employment security agencies covered employment by size of firm for the first quarter of each year. Size stratification is a necessary preliminary to the development of efficient probability samples. Whether probability sampling will follow is still not determined. Publication of employment trends by size of establishment from sample report is not anticipated in the near future;

(d) When this recommendation was made, BLS was in the midst of investigating employer recordkeeping and reporting practices in manufacturing industries (response analysis survey). The results of this survey have been analyzed and some changes made in instructions to respondents, editing procedures, etc., but

no major change in concept or collecting techniques seemed required. Since that survey, BLS has undertaken a similar survey of response to the turnover inquiry. Response analysis of nonmanufacturing establishment reports has not yet been made.

#### *Recommendation 8*

"The Subcommittee recommends that the BLS study the feasibility of providing occasional information on hours and earnings of nonproduction workers and on schedule part-time work. Occasional data on the hours and earnings of nonproduction workers would be helpful in improving estimates of productivity and national income, in addition to other uses. In industries where scheduled part-time work is common, as in retailing, the separation of regular part-time employees from full-time employees would permit the computation of average weekly hours and average weekly earnings of full-time employees. For many purposes, these would be more meaningful than the data presently available in trade and certain services."

BLS has agreed to undertake a survey of hours and earnings of nonproduction workers and requested a small amount of funds for this and other purposes several years ago. The limited funds appropriated were devoted to a survey of hours worked. (See above.) BLS is now hoping to include a survey of nonproduction worker hours and earnings in its fiscal 1963 program. BLS has not planned to undertake the separation of part-time employment from full-time employment in view of the difficulties anticipated in obtaining such reports from employers on a monthly basis from industries where part-time employment is common.

#### *Recommendation 9*

"The Subcommittee has considered a number of areas in which expansion of the BLS statistical program in the field of employment, hours, and earnings may be desirable. The Subcommittee notes that operations have already started for the separate collection, beginning in 1956, of data on overtime hours, and also that the Bureau has under active consideration experimental work looking toward reporting of job vacancies, possibly in connection with the New Department of Labor program for a Federal-State system of turnover reporting for manufacturing industries.

"In addition, Subcommittee suggestions include occasional publication of data of a kind the BLS has undertaken in the past. These suggestions include distributions of establishments by average hours worked, which do not involve the collection of additional information, and data on employment by shifts similar to those collected in the past."

Overtime hours have been collected and published regularly since 1956. The experiment on the collection of information on job vacancies showed so much variation from employer to employer in what was included in the term "job vacancies," that it was decided not to start a continuing series.

Only one study has been made of hours in individual establishments in which a distribution of manufacturing establishments by average hours paid for was made for the same month in each of 5 years. Data on employment by shifts has not been collected in recent years.

#### *Recommendation 10*

"The Subcommittee has received comments indicating the difficulty faced by users in obtaining such State and local data as are published by State agencies in the current employment-statistics program. The suggestion is made that arrangements be made to facilitate users in obtaining such data from a central Washington source, together with periodic publication of as much industry detail by States as is possible."

Each month, BLS publishes industry division totals for each State, that is, estimates for manufacturing, contract construction, trade, etc. Punchcards have been prepared for each State and area series, which has facilitated filling a number of requests for detailed data directly from the BLS national office.

In 1957 BLS published a guide to State employment series which listed each industry series published by each State together with the date the series was started. This guide was reissued during 1960 showing the industry series now available on the revised standard industrial classification basis and a similar guide has been published for the area series prepared by cooperating State agencies.



## C. INSURED UNEMPLOYMENT

*Recommendation 1*

"The Subcommittee recommends that the BES compile and publish a separate series each week on weeks of total unemployment (excluding weeks of partial unemployment) as well as a combined total for insured unemployment. The additional series would provide a measure unaffected by persons who worked part of the week."

This recommendation was not accepted by the Bureau of Employment Security for the reason that the number of continued claims for partial unemployment is a relatively small percentage of all insured unemployment, and that information on the size of this group is available on a monthly basis. The BES feels that the advantage of having the information available weekly would not be worth the additional burden of collecting the data.

*Recommendation 2*

"The Subcommittee recommends that, insofar as possible, procedures be adjusted to permit more valid time-period comparisons, in particular to eliminate disturbances caused by holidays in delaying the filing of claims, and the effects of new benefit years in causing the piling up of claims which do not represent new unemployment. The Subcommittee also considers it desirable, as soon as the necessary developmental work can be completed, to publish seasonally adjusted monthly data both for the Nation and for individual States. Publication of more extensive time-period comparisons in current reports is also suggested."

The BES has already adopted or is in the process of working on each of these recommendations. In 1959, after a number of preliminary studies, procedures were installed to eliminate the effects of holiday rescheduling of claimants on the movement of the insured unemployment series. A considerable amount of work has been devoted to the development of seasonal adjustment factors for both the National series and State series of insured unemployment. The average monthly insured unemployment rate is published on a seasonally adjusted basis for the Nation as a whole. Seasonally adjusted data are not yet being published for individual States. Publication of more extensive time-period comparisons in current reports was initiated shortly after the Subcommittee made its recommendations.

*Recommendation 3*

"The Subcommittee recommends current and future research in order to—

"(a) Measure and evaluate the effect of coverage limitations, benefit exhaustions, disqualifications, and differing State laws, etc.;

"(b) Develop more detailed information on characteristics of the insured unemployed;

"(c) Determine the feasibility of measuring in each State the volume and rate of unemployment among persons who have been employed in covered industries regardless of current benefit status."

The BES has encouraged and financed a considerable amount of research by interested State employment security agencies along the lines suggested by the subcommittee:

(a) Studies have been made of the labor force experience of persons exhausting benefits and of persons disqualified from receiving benefits; other studies have estimated the effect of failure to file claims and of delay in filing claims on claims data; the effect of coverage limitations is estimated periodically (coverage has been extended to some of the smaller firms once in the interim);

(b) A special sample survey to provide national information on the characteristics of the insured unemployed was initiated late in 1955, discontinued in mid-1957. A somewhat different type of survey was started in 1960 which provides for the United States and for individual States information on selected characteristics of persons filing for unemployment insurance—industry, occupation, age, sex, and duration of insured unemployment. Special studies are being conducted which will obtain comprehensive information on the family characteristics and employment experience of claimants filing under the temporary extended unemployment compensation program. As part of these studies, the characteristics of the TEC claimants will be compared with those of regular claimants;

(c) The feasibility of this proposal rests on the ability to estimate unemployment among those who, after filing for benefits, have exhausted their benefits or have been disqualified and among those eligible for benefits who have not yet filed and those who will never file. As a result of the special studies described

above, a considerable amount of experience and information has been accumulated in the recent past on these points. Experience under the temporary unemployment compensation program extending benefits to "exhaustees" of the regular programs has also provided information on the extent of unemployment among exhaustees. The BES is encouraging State employment security agencies to undertake additional studies and has developed improved methods for incorporating the results of such studies in overall estimates of unemployment. More than 30 States now prepare State estimates of total unemployment, regardless of current benefit status of the unemployed.

#### D. FARM EMPLOYMENT STATISTICS

##### *Recommendation 1*

"AMS should request funds to develop further its work on agricultural employment statistics so as to permit the regular publication of State estimates to obtain information on labor input, to permit subgroupings by type of farm and other pertinent characteristics. An expanded sample and probably a separate questionnaire specifically designed to obtain employment and related information will be required."

This recommendation was accepted as a goal toward which to work. In response to the widespread demand for State estimates, the Statistical Reporting Service of the Department of Agriculture has found it possible to publish total farm employment and hired worker employment estimates separately for 35 States, using the Census of Agriculture as a benchmark source and the crop reporter mail survey for current changes. Thirteen other States are estimated but published in four groups.

Opportunity for further improvements in the program has been afforded by the research program for crop reporting, in which a series of enumerative surveys has been developed. The feasibility of obtaining State employment benchmarks as part of an annual enumerative survey has been examined in the enumerative surveys made about June 1 for each year in 28 States beginning in 1957. In 1961, the samples in 15 of the 28 States were considered adequate to provide State data useful in estimating not only the number of hired workers and family workers but also the number of farms. The averages per farm derived in the survey are used in testing the validity of adjustments to monthly averages reported in the crop reporter surveys. Plans call for extending the June enumerative surveys in other States and enlarging the sample as funds are made available.

##### *Recommendation 2*

"Efforts should be made to develop periodic measures of the amount of multiple job holding by farmworkers and of the number of farmworkers whose chief current activity is nonfarm work, by means of supplementary CPS inquiries. Such information would throw light on employment practices in agriculture as well as provide a measure of some of the difference between the AMS and CPS series."

Information of the type recommended has been obtained annually in connection with the multiple job supplements to the CPS.

##### *Recommendation 3*

"Periodic information should be obtained by CPS on farmwork of children under 14 years of age to provide information of interest on its own account and to be used in explaining differences in level between the AMS and CPS series."

An estimate of the employment of children 10 to 13 was obtained for July 1957. An estimate of the number of children 10 to 13 who worked at farmwork for pay at any time during 1961 will be obtained this month.

##### *Recommendation 4*

"Consideration has been given to a proposal that AMS adjust to the CPS national level and publish State and regional estimates adjusted to that level. Because of the technical problems involved, the Subcommittee regards this proposal as not now feasible."

The views of the Subcommittee were accepted and no further consideration has been given to the proposal.

##### *Recommendation 5*

"AMS should explore the feasibility of changing its reporting week to correspond with the standard midmonth week established by the Bureau of the Budget to improve comparability with other series."

The present series is prepared on the basis of additional questions included on crop reporter questionnaires. Until such time as the employment information may be obtained in a different manner (see recommendation 1 above) the Statistical Reporting Service prefers to ask for information respecting the most recent week. Should the employment questions be separated from the crop reports, the Service would not oppose the change in the reporting week.

#### *Recommendation 6*

"In order to provide benchmarks for the recommended employment statistics program, agricultural censuses should continue to obtain information on farm employment and farm wage rates."

Information on farm employment and farm wage rates was obtained in the 1959 Census of Agriculture.

### APPENDIX II

#### SPECIAL REPORT ON UNEMPLOYMENT STATISTICS: MEANING AND MEASUREMENT

(By Raymond T. Bowman and Margaret E. Martin)

#### INTRODUCTION

As frequently happens during periods of high unemployment, questions have been raised recently concerning the figures on unemployment which the Federal Government publishes each month. Economic analysts, news commentators, and members of the general public have asked if we are counting the right kinds of persons among the unemployed, if our concepts are too broad, or possibly too narrow, if the survey methods provide reliable results, if the figures we get today are really comparable with those for past years, if we do ourselves justice in comparison with other countries.

There can be, and are, honest differences as to who should be counted among the unemployed. Most of the descriptions of what is done in compiling the U.S. series and of possible alternatives have been written by specialists and are couched in technical language which discourages the intelligent layman seeking answers to a pressing public issue. This paper has been prepared in an effort to fill the gap between the technical discussion of specialists and the series of charges and countercharges which have appeared in the public press. The statement will discuss the meaning, purposes, and problems of measuring unemployment. A brief discussion is also included on why the current rate of unemployment is causing concern, to illustrate in a limited way some of the possibilities in using our rich supply of information on employment and unemployment in interpreting the economic situation.

Those of us who remember the lack of valid statistics on employment and unemployment which prevailed during the great depression, the estimates of unemployment made by different people which differed by millions because there was at that time no direct statistical series measuring unemployment, appreciate the major advance which has been made in providing current information. This article, by describing what is now available on the size and characteristics of the labor force, will attempt to indicate the value of this advance. We believe that the employment and unemployment statistics of the United States are probably the most objective and accurate in existence anywhere, but that does not mean they may not be improved. We have no basic quarrel with those who still wish to question concepts, although it will be asserted that the present concepts are essentially right for the major purposes for which the data are designed.

Figures on unemployment are so important in general public discussion of the economic situation, they are looked at by so many as a "trigger" statistic indicating when certain lines of public action may be appropriate, that it is most desirable that the purposes of the series and the concepts and methods used in compiling them be widely understood. Admittedly, the way in which unemployment is defined and measured affects the statistics. For this reason, a brief discussion of the concept of unemployment as used in the official U.S. figures is important to understanding the measurement problem.

#### BASIC CONCEPTS

First, let us recognize that unemployment is not measured by itself but as part of a system of statistics on the labor force which is related to the population in a specific way. The basic concept is relatively simple. To make measurement feasible and as objective as possible, the first step is to select that part of the population for whom the question of employment and unemployment is relevant.

For this purpose, the population 14 years of age or over and not in institutions is selected. This age limit is chosen not because we believe that most youngsters of 14 or 15 are likely to be working or looking for work, but because there is special interest in knowing how many actually do work, at what occupations, etc.

This part of the population is then classified, as far as employment status goes, into four principal groups, which are (1) in the Armed Forces, (2) employed, (3) unemployed, and (4) not in the labor force. The first three of these groups constitute the "total labor force." The total labor force less those in the Armed Forces comprise the civilian labor force, which in turn, is the sum of the employed and the unemployed. Our discussion will be directed to this concept of the civilian labor force.

#### *The civilian labor force*

The concept of "civilian labor force" is a very important one for a modern free enterprise industrial economy. It is intended to include those persons who are "economically active" in the sense that they participate or are actively trying to participate in the organized economic activity of producing commodities or services for pay or profit. Important activities such as keeping house or attending school exclusively are not considered economic activities in this sense and persons engaged solely in such activities are not in the civilian labor force. Basically, then, the civilian labor force includes all persons who have a job or who are actively seeking one. It is the sum of these two categories. By definition, then, the civilian labor force includes only those persons who are in the labor market.

#### *The employed*

The great bulk of persons in the civilian labor force are employed. The concept of employment is based primarily on the activity of working for gain or profit during the period in question. It includes persons who did not work during the survey week, but who had jobs from which they were temporarily absent during the entire week. For example, persons on vacation, paid or otherwise, are considered as employed—they have a job. Persons home from work because of illness are also considered employed—they have a job. To make this clear to users of the data, statistics on employed persons are available for two subgroups which may seem to some persons rather peculiar: (1) Employed, working; (2) employed, not working, with a job but not at work.

Those working may not be working full time, so separate statistics are provided on hours of work. The information on part-time employment has caused some persons to recognize that it may also be a measure of part-time unemployment. To provide information on how much part-time employment is caused by lack of demand for labor, data on those who are working less than full time because they want or could accept only part-time work are shown separately from those working part time because of economic factors, such as cutbacks in hours because of slack business or the unavailability of full-time jobs.

Included among the employed are unpaid family workers who do more than incidental chores (15 or more hours a week) in a family business or on a family farm. Such unpaid family workers are shown separately from wage and salaried workers and from the self-employed.

Before leaving the problem of measuring employment, it should be further noted that students who both attend school and have a job are counted among the employed, as are housewives when they have a job in addition to their housework. Only their hours of gainful employment are counted in their hours of work, of course.

#### *The unemployed*

The concept of unemployment is based primarily on the activity of looking for work on the part of persons who did not work during the survey week. Some people have argued that those not working nor looking for work but who indicate in some fashion that they "want work" should be included as in the labor force and unemployed. We do not use this concept. Experiments have shown that if we did, many more persons would be counted as unemployed. We do not use this concept because it depends too much on a state of mind of the person involved rather than on an objective criterion indicating that the person really is in the labor market by offering his services for hire; that is, actively seeking a job.

It is true that certain exceptions have been made in applying the "looking for work" concept. Most persons agree that workers who have been laid off and are waiting to be called back to work by their former employers should be counted as unemployed even if they do not actively look for other work in the interim.

Persons waiting the start of a new job are similarly counted as unemployed until the new job starts. Furthermore, just as persons who would have been working except for temporary illness are counted as employed, persons whose period of job seeking was interrupted by temporary illness are counted as unemployed. Finally, if a respondent volunteers that he would have been looking except for the belief that there is no work available in his line of work or in the community, he is counted as unemployed. The survey has been criticized for including this last exception, which is designed particularly for small communities in which a large plant has closed down. On the other hand, the survey has been criticized by those holding opposite views for not explicitly asking persons who reported they did not look for work whether they would have looked had they believed work to be available. The present practice is a compromise between these two views. It is felt that the exception does not add materially to the count of the unemployed. Experiments have shown that explicitly asking the question adds persons to the count of the unemployed whose current attachment to the labor force is somewhat remote. Research has not been carried far enough to suggest an acceptable alternative to present practice. This small area of indefiniteness between those unemployed and those not in the labor force is one of the places where further research and experimentation could profitably be pursued.

#### *Those not in the labor force*

There are in the United States approximately 52 million persons 14 years of age or over and not in institutions who are not, according to present concepts, in the labor force. They are not employed, do not have a job, and they are not looking for work. Many persons able to hold jobs or to seek them are not doing so. This is a free labor market and these persons are not in that labor market. They are neither employed nor unemployed. They may be in school, housewives, retired, disabled, or have other personal reasons for not being in the labor force.

#### *Priority among the categories*

The survey which provides employment status information is called the current population survey, and results are reported in a Government publication, the Monthly Report on the Labor Force. The survey is taken for 1 week each month (the week including the 12th of the month) by asking questions about each member of a sample of households. Everyone 14 years of age and over is classified in one of three groups for that week, as employed, unemployed, or not in the labor force. The number of persons in the Armed Forces is then added to obtain the total labor force.

Now, it is possible, of course, for a person to both work and look for work during the same week. Perhaps an ambitious worker looks for a new job offering higher pay at the same time as he continues to work at the old job. Perhaps a worker is laid off during the week, so he works for 2 days and looks for work for 3 or 4 days during the survey week. How shall such persons be counted, if we are going to include each person once and only once in our figures, and yet have the figures refer to the week as a whole? In order to avoid double counting, or classifying people as employed or unemployed depending on whether they spent more hours working or looking for work during the week, a strict system of priorities has been established to enable the civilian population to be divided into these three distinct groups. This system puts working first, looking for work second, and not in the labor force third. Thus, a person who worked 1 hour at the beginning of the week, was laid off and hunted assiduously for a job during the rest of the week would be counted as employed, since any amount of working takes precedence over looking for work.

More specifically, the priorities are: (1) Working at any time during the week; (2) looking for work or on layoff from a job; (3) neither working nor looking for work but having a job at which one did not work at all for such reasons as vacation, sickness, bad weather, etc. (included among the employed in the final count); (4) not in the labor force.

Thus, a person having a job who did not work at all during the week on account of sickness, and there are several hundred thousand each month, would be counted as employed, rather than unemployed, whether or not he was paid for the time off. On the other hand, a person who did not work but used his time off to look for another job would be counted as unemployed since looking for work takes precedence over having a job at which one did no work at all.

Note that the priority system makes the major labor force categories exclusive as well as exhaustive. There are no omissions, no double counting. It is not

sufficient to say merely that a person should not be counted as "unemployed"; in that case, he must be counted as either "employed" or "not in the labor force."

#### USEFULNESS OF LABOR FORCE CONCEPTS

How good are these concepts? Are they the right concepts? Such questions are always pertinent, but they are naturally raised most often during periods of rising unemployment. An evaluation of their usefulness can only be made in relation to the purposes for which statistics on the labor force are needed.

The labor force concepts used by the United States are designed to serve a variety of purposes. First, they are designed to give a measure of the human resources available as a result of the free option of individuals to seek employment by entering the labor force. Need may induce this seeking of employment but motivation is not relevant to the count; it may vary from the direst of need to the desire for more economic goods or even for the achievement of psychic pleasures associated with a job and a useful place in society. It is our objective to know to what extent these human resources are being utilized. Their use or lack of use affects both the potential output of the economy and the actual output from the production side and also from the consumption side.

The growth of population and the portion of it which enters the labor force is the human potential which sets one boundary to the growth of the economy's output. But the boundaries set by numbers alone are quite flexible. Changes in the hours worked by individuals in the labor force are one obvious factor which may affect economic growth. But productivity may be affected by changes in the quality of the work force, the talents of the workers. Information from labor force statistics does not tell a full story on manpower skills and utilization, but these statistics do provide much more than is generally recognized, not only on the hours per week and weeks per year contributed by employed persons, but also something about the quality of the labor force—the occupations of the workers, whether skilled or unskilled, and their educational attainments.

The second use of labor force data is as a key economic indicator. As such, it provides a measure of the operation of the economy over time, indicates the extent of seasonal and cyclical movements in the progress of the economy, and provides more specific data on employment and unemployment as an economic and as a social problem. Thus, interest centers on population characteristics of the unemployed and of the employed, on shifts resulting from technological changes—the growth of some and decline of other industries and occupations—and the cyclical movements in the general level of economic activity.

There are other uses of the labor force data, but these appear to be the major uses. It may be noted that one thing the current concepts do not provide is a complete measure of need, or loss of income on account of unemployment. It is possible for some persons to be employed and yet paid at such low rates that they and their families are in real need. On the other hand, some of the unemployed are not in serious financial straits. It also seems clear that one thing not provided by the unemployed count is a clear and unequivocal measure of those about whom "something should be done."

Nevertheless, the public naturally and rightfully looks to the labor force series as one of those needed to provide the information on which policy can be formulated on such issues as proposals to extend unemployment insurance, whether or not special public works programs are desirable, the need for retraining courses or other possible activities affecting manpower supply and utilization and the operation of the labor market. For this reason, a large number of details are provided about the employed and the unemployed each month, in addition to the total numbers.

We know, for example, how many persons worked less than 35 hours during the survey week, and whether this was from personal preference or for economic reasons such as slack work (on the average, 1 out of 6 persons works short hours from choice or for various personal reasons). We know the age and sex and marital status of the unemployed, whether they are looking for their first job or are experienced members of the labor force with an occupational and industrial attachment; for example, whether they are unemployed steelworkers, carpenters, or retail salesclerks. We have information on how long the unemployed have been looking for work. We know why persons "with a job but not at work" did not work during the survey week and whether or not they were paid for the time off. Over the years the amount of detail published each month on the characteristics of the employed and the unemployed has steadily increased, so that those who wish to use these figures to evaluate a particular program or policy, to understand the economic situation, or the conditions of em-

ployment, will have the building blocks which can be selected to throw light on a particular issue.

Furthermore, supplementary questions are asked of the sample households from time to time, to cast further light on the conditions of the labor force. Once a year, the incomes of all members of the sample households are obtained, and analyzed for individuals and for family units. At that time the survey also shows the number of persons in the labor force for each family, how many married women work, and, of these, how many of their husbands are employed, how many are unemployed. Once a year, analysis is made of school attendance, and figures are provided showing how many of our students work during the school term. In recent years, there has been an annual count of the number of persons who hold more than one job during the survey week. Finally, there is an annual review of the number of persons who were in the labor force at any time during the preceding year, of the amount, regularity, and nature of their work experience.

It would be possible, of course, to design different concepts or definitions. Without changing the basic concepts one could say, for example, that young people who are attending school should not be counted among the unemployed even if they actively look for work. This would reduce the number of the unemployed by about 250,000 or about 7 percent, according to the annual supplementary survey taken in October 1960. But if students looking for work are not to be counted in the labor force, it would be only fair to question whether students who find work in addition to school attendance should be included. If excluded, that would subtract about 3.8 million from the total employment count of 67.5 million, a reduction of more than 5 percent. Should we adopt such a practice we would give up the information we now obtain on the employment and unemployment of youths by disregarding work sought for and engaged in by students. At the same time, we would be overlooking the fact that working is one of the important ways of getting a higher education these days. In October of 1960, special questions directed toward college students showed that 20 percent were supporting themselves solely by their own work or savings and another 30 percent made some contribution from their own efforts. The same distortions of our objective criteria of measurement, only proportionally greater, occur when attempts are made to exclude other groups whose attachment to the labor force is believed by an onlooker to be more marginal than that of the chief family breadwinner. In this connection, it is widely accepted that the standard of living of a large percentage of our families would be drastically lowered if the wife or other so-called secondary worker did not contribute regular or even intermittent earnings. The fact of the matter is, our economy operates on a system in which 1 out of 3 in the labor force is a woman, 1 out of 11 is under 20 years old, nearly 1 in 20 is 65 or over. Twenty-five percent of the employed women and about 10 percent of the employed men work at part-time jobs for personal or other reasons not connected with the economic situation. It seems desirable to enumerate these various groups separately, as far as distinctions can be made, but not to try to whittle away at our basic concepts in so doing.

An important analytical tool which reduces the chance of misinterpretation of the data is the regular presentation of the unemployment rate on a seasonally adjusted basis. Seasonal adjustment corrects this key series for such recurrent and noneconomic phenomena as the influx of students into the labor market during the summer.

#### SOME POPULAR MISCONCEPTIONS

With these concepts in mind, let us specifically review some of the criticisms recently directed at the unemployment figures.

In the first place, let us refute the implication that Government agencies over the past 20 years have intentionally and progressively exaggerated the amount of unemployment. This is simply not true. As the brief historical note at the end of this statement shows, the labor force survey has been under continuous surveillance and review since it was started in 1940. If there has been any intentional exaggeration, cooperation or negligence would have been required on the part of two major departments, the Bureau of the Budget, the Council of Economic Advisers, and the staff and members of the Joint Economic Committee of the Congress—and this over a period of several administrations. Such a conspiracy or such negligence has not occurred.

To comment on a second misconception, it is sometimes assumed that the survey enumerators determine the number of unemployed by asking each household: "How many people here want a job?" The fact is that this question is

intentionally not asked because we know it would lead to an overcount of the unemployed. Instead, the question is asked individually for each person 14 and over in the household who did not work in the survey week: "Was \_\_\_\_\_ looking for work?"

Neither are enumerators free to use their own discretion in the questions they ask. Not only is the specific question wording they are to use spelled out for them on the questionnaire, but frequent training sessions are held to maintain standards of good interviewing. Furthermore, an elaborate system of reinterviews by supervisors has been developed by the Bureau of the Census as a means of controlling the quality of interviewing. Interviewers whose work does not meet specifications are retrained, or, if necessary, replaced.

Some critics have pointed out that the monthly survey showed more unemployment than the population census did in 1940 and 1950. This is true, but the fault does not lie primarily with the current series. Careful examination on a case-by-case basis was made of the discrepancies in 1950. Both sets of enumerators were hired by, both supervisory staffs belonged to, both sets of training materials were prepared by, the Bureau of the Census. However, the enumerators for the current survey were experienced, well-trained enumerators compared with the census enumerators who had to be trained in a few hours to cover a great many more subjects than labor force, employment, and unemployment. Analysis of these comparisons has convinced impartial students of the problem that the reason for the lower count of unemployment reached in the population census is almost wholly due to the inexperience of the temporary census enumerators and the tendency of untrained interviewers to skip pertinent questions. It is too soon to tell if the use of self-enumeration in the 1960 Census of Population has overcome this deficiency.

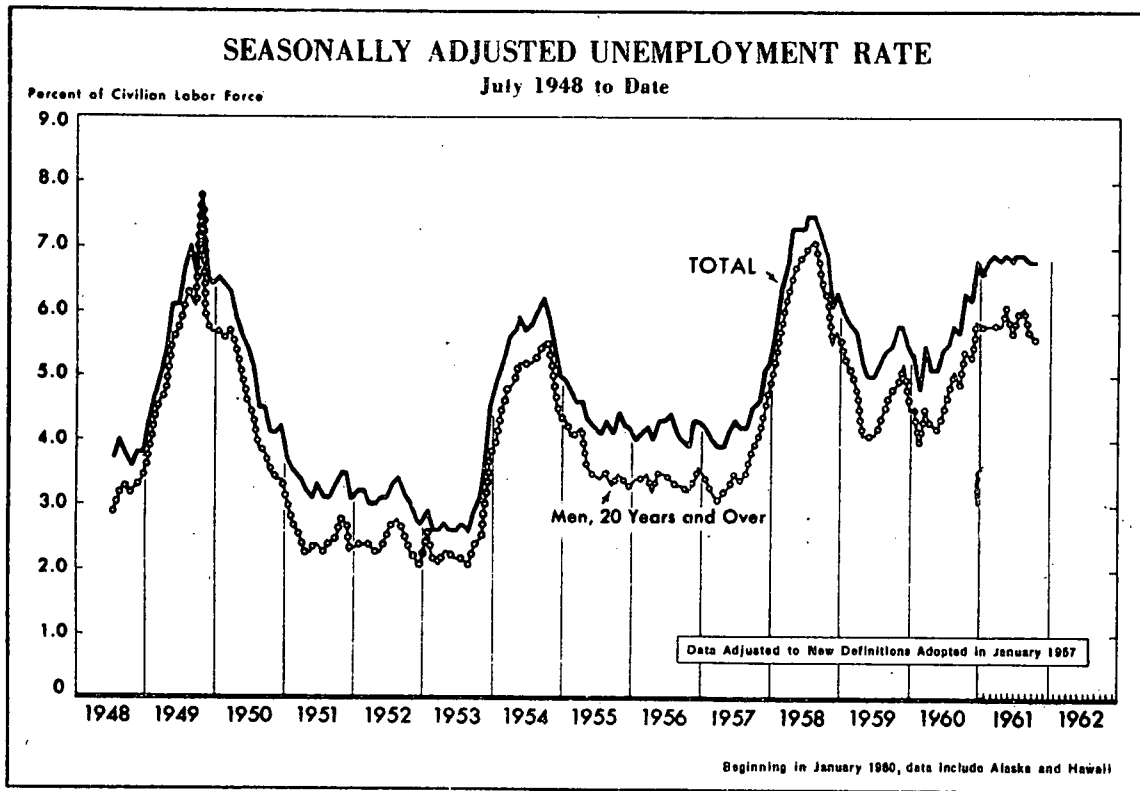
A recent critic has directed attention to the experience of changing the sample design in 1954 as an indication of the effect of the attitude of the enumerators on the level of unemployment. At that time, the Census Bureau was engaged in spreading the sample of 25,000 households from 68 areas into 230 areas. Other things being equal, spreading the same number of households among more areas should increase the reliability of results. To see what effect this shift would have on the results, an overlap period was provided during which both samples were used. There was an unexpectedly large difference in unemployment between the old sample and the new sample during 1 month of the trial period, January 1954. The following month the difference had declined to a reasonable level. A committee of experts from outside the Government was appointed to review the new sample and the changeover operation and determine if possible what led to the unexpected result in January. This committee, composed of well-qualified statisticians from a university, a business group, and a labor organization decided that lack of attention to maintaining standards of enumeration in the old areas as the new operation was being organized was the chief cause of the discrepancy. The committee concluded its report to the Secretary of Commerce, "\* \* \* the new sample estimates are the more accurate and should be used in preference to the old survey estimates \* \* \*" for the overlap period. The full report of the committee is contained in "The Measurement of Employment and Unemployment by the Bureau of the Census in Its Current Population Survey" by the Special Advisory Committee on Employment Statistics, August 1954.

#### THE CURRENT HIGH LEVEL OF UNEMPLOYMENT

It seems desirable to comment on the real point of concern which the figures highlight—the continuing high percentage of unemployment since the recovery from the 1958 recession. This discussion will not provide the answers as to the causes of this high level of unemployment. But it is hoped that an illustration or two of the use of the labor force figures in relation to current economic conditions will, together with what has gone before, make it clear that this high level of unemployment is real and not a statistical mirage. Search for the causes is continuing by private as well as governmental groups, and requires analysis not only of labor force, employment, and unemployment figures themselves, but of all other types of economic data capable of throwing light on current economic conditions.

The most direct way to clarify the major issues raised by the unemployment figures is in terms of a chart showing the seasonally adjusted percentage of the civilian labor force who are unemployed each month. Also shown on the same chart is the percent unemployed among men age 20 years and over in the labor force, seasonally adjusted.





When seasonally adjusted unemployment is expressed as a percentage of seasonally adjusted labor force, the major emphasis is on the cyclical movement in unemployment. Since the chart uses percentages, unemployment is measured relative to the size of the civilian labor force. (In absolute terms, unemployment for a growing labor force would also be expected to grow, as would employment.)

The chart clearly shows the major cyclical periods recognized by economic analysts, namely, the recessions of 1949, 1954, 1958, and 1960-61. The peaks of the chart are in these years and represent high percentages of unemployment. The concern is primarily over the fact that in the prosperity period after the 1958 recession—namely, part of 1959 and early 1960—the unemployment rates did not revert to the lower levels reached in 1948, 1951-53, and 1955-57.

The relatively low unemployment rates in 1951-53 involve certain special factors. The period 1951-53 was the period of the Korean war; the civilian labor force was reduced as the result of mobilization while simultaneously employment opportunities were expanding. But the period 1955-57 did not have these unusual circumstances and the unemployment rate averaged, seasonally adjusted, just a little over 4 percent. During the prosperous period prior to the 1949 recession it averaged just under 4 percent. We will not here discuss whether these rates were too high or too low. It is sufficient to note that they were considerably better than those achieved in 1959-60, which averaged above 5 percent.

Furthermore, although it is customary for recovery in the unemployment rate to lag somewhat after improvements in other indicators, the rate is currently sticking at a recession level longer than usual. The upturn from the 1960-61 recession is generally considered to have started about March 1961. If the experience following the 1949, 1954, and 1958 recessions is taken as a guide, we could expect the unemployment rate to start falling about July of this year. This did not occur either in July, August, or September, the seasonally adjusted rate remaining just short of 7 percent of the civilian labor force.

There is every reason to be concerned about this situation. Although it is quite appropriate to ask the question, we can see no reason to believe that the problem is with the figures themselves. It is a real problem, not one of changing concepts or measurement techniques. The concepts and measurement techniques make the data reasonably comparable for the entire period 1947-61.

It has been suggested that inclusion of certain so-called marginal groups in the labor force inflates the number of unemployed so that the figures do not depict the true course of unemployment on a comparative basis from year to year. It is true that unemployment rates are higher among young new workers, slightly higher for men over 65, and frequently, although not always, higher for women, the groups sometimes considered to be marginal. Since these groups have been included in the labor force since the beginning of the series, they could affect the year-to-year unemployment comparisons only if they were entering the labor force in much larger proportions now than formerly. But these groups have not all been entering the labor force in larger proportions in recent years. In fact, there have been conflicting trends. Although a greater proportion of women are in the labor force now than in 1948, proportionately fewer boys and older men are in the labor force now. These changes in labor force participation have occurred, quite consistently, year by year. As a result, the civilian labor force as a whole has remained a stable percentage of the population 14 years of age and over. Although concealing divergent trends among the components, the overall figures provide a rough check that the unemployment figures have not been inflated because of counting undue and growing proportions of the population in the labor force. A more complicated statistical technique termed "standardizing" indicates that if the age-sex composition of our labor force had been the same in 1960 as it was in 1957, the unemployment rate in 1960 would have been lowered only fractionally, by less than two-tenths of a percentage point.

The following table provides the percentages of the population in the civilian labor force, together with the percent of the labor force unemployed, for the last 14 years. For brevity, annual average figures are shown, avoiding problems of seasonal adjustment, but concealing the more exact timing of changes possible from monthly figures. An examination of these figures shows that the labor force has not been a higher percentage of the population during periods of relatively high unemployment. On the contrary, looking at recent years, the high rate of labor force participation in 1956 occurred during a prosperous period. In the recession year of 1954, on the other hand, the proportion in the labor force was relatively low—excess unemployment apparently was not caused by excess

numbers in the labor force. The percentage of persons in the labor force in 1951-53, years of high-level economic activity, are lower than most other years, not because our concepts have changed, but because the Korean mobilization took out of the civilian labor force persons who were needed in the Armed Forces.

Year	Percent of population <sup>1</sup> in civilian labor force	Percent of labor force unemployed	Year	Percent of population <sup>1</sup> in civilian labor force	Percent of labor force unemployed
1947.....	55.9	3.9	1954.....	55.5	5.6
1948.....	56.6	3.8	1955.....	56.1	4.4
1949.....	56.6	5.9	1956.....	56.9	4.2
1950.....	56.9	5.3	1957.....	56.4	4.3
1951.....	56.1	3.3	1958.....	56.3	6.8
1952.....	55.6	3.1	1959.....	56.3	5.5
1953.....	55.4	2.9	1960.....	56.3	5.6

<sup>1</sup> Noninstitutional population 14 years of age and over.

These factors are not stressed to indicate that the proportion of the persons in the labor market should not change, or if they did, that there would be something wrong with the figures. They are provided merely to show that overall labor force participation rates did not, in fact, change in the periods in question in a way that would add significantly to unemployment. There are a variety of factors which would make for quite appropriate changes in the size of the labor force relative to the population of working age, such as, for example, changes in the age and sex distribution of the population, changes in school attendance, or changes in general social attitudes toward retirement, employment of married women, etc.

Further light on the reality of the increasing unemployment rate is afforded by the unemployment insurance system. Insured unemployment is not as large as total unemployment since the State unemployment compensation programs generally exclude jobseekers having no recent work experience, the self-employed, agricultural workers, State and local government employees, the unemployed who have already exhausted benefits, and in some States, former employees of very small firms. Nevertheless, it is possible to compute the rate of insured unemployment to insured employment, and compare this rate with the rate of total unemployment. On that basis, despite the differences in coverage of the two statistical series, they show the same general movements from year to year. The rate for 1959, for example, was approximately a third again as high as for 1956 for both insured unemployment and total unemployment.

It is not the intention here to attempt a definitive explanation of the employment-unemployment situation but to show that the figures are appropriate to tell us that a problem exists and an answer should be sought. Another example relates to the question of what we know about the growth of employment relative to the civilian labor force and associated population growth over the period 1947-60. It is instructive first to divide the period into three parts 1947-53, 1953-57, and 1957-60. The last year of each of these periods includes the turning point at which a cyclical increase in unemployment started. For these periods we compare the average annual percentage rate of growth of (1) the noninstitutional population 14 years of age and over, (2) the civilian labor force, and (3) total civilian employment.

Periods	Average annual percentage rate of increase <sup>1</sup>		
	Noninstitutional population 14 years and over	Civilian labor force	Employment
1947-53.....	1.1	1.0	1.2
1953-57.....	1.1	1.6	1.2
1957-60.....	1.2	1.1	.7

<sup>1</sup> Data for Alaska and Hawaii are excluded from the 1960 figures in calculating the average annual rates of change to make them comparable with the earlier years.

The figures show that the population and the labor force grew at roughly equivalent rates on the average, except for the middle period when civilian labor force growth accelerated following the Korean war. Employment kept pace with this growth in the earlier period but after 1957 employment has grown more slowly. In interpreting these facts, we must remember that 1957-60 is still a short period, relatively speaking. If employment had increased at the same rate as the labor force from 1957 to 1960, it would have reached 67.2 million by 1960, about 0.8 million higher than the actual average for that year. The facts indicate, then, that the higher levels of unemployment in 1959-60 and currently are related to the slower rate of employment growth relative to the population and the civilian labor force. This is important information.

Why these things are so and what should be done about them are important questions. The policy problems are not easy ones and there are and will be differences of opinion as to cause and cure. Neither these statistics nor any others will give clear and simple answers as to what needs doing, but they are the tools with which the economic analyst isolates problems so as to find solutions. No statistical series is perfect and improvements are always in demand. Larger samples, more frequent results, more detailed characteristics are some of the possibilities. Reconsideration of concepts in the light of uses made of the series is always appropriate. However, the public is not well served if it is diverted from consideration of a significant economic symptom by a denial that it exists. And unfounded suspicion concerning the reliability of a major statistical series is bound to confuse present policy and distort consideration of future possibilities. High-level output and economic growth in real terms depend on fuller use of all human and material resources available in a free market economy. Appropriate comparisons with the past are necessary but current and future efforts should not be limited to what has been achieved in the past but based on what can be achieved in terms of the current and future resource availability. The Monthly Report on the Labor Force series, with related population information, is an important guide to measuring the availability and utilization of present and future manpower resources.

#### A LITTLE BACKGROUND

The Monthly Report on the Labor Force was developed under Work Projects Administration auspices toward the end of the great depression in order to provide the administration with estimates of the probable work force with which the WPA would have to contend and some measure of whether progress was being made in reducing the number of unemployed.

At that time, a variety of conflicting estimates of unemployment were made, none of them based on direct enumeration. Earlier attempts to count the unemployed had been sporadic and largely unsuccessful. The series covering the decade of the thirties, now generally accepted as most consistent with the Monthly Report on the Labor Force and available only on an annual basis, was reconstructed after the fact from other sources using the Monthly Report on the Labor Force concepts as far as possible. This series is the best available for that period, and is published to provide a continuous historical record but should be taken only to represent general magnitudes of unemployment. It is not based on a direct enumeration.

In 1940, the Office of Statistical Standards of the Bureau of the Budget began an examination of the WPA survey to determine if this were just "another set of numbers" or whether the survey, which was breaking new statistical ground, was technically adequate and should be published. When it became clear that the days of the WPA were numbered, the Bureau also looked into the question of which permanent Government agent might most appropriately continue the survey. After this review, it was decided that the survey should be continued and that the Bureau of the Census was the most appropriate agency for undertaking the work. At the same time, the widespread interest of other Government agencies and the public were recognized by the establishment of an inter-agency committee, under the leadership of the Office of Statistical Standards of the Bureau of the Budget, to resolve any major issues affecting the survey in the best interests, not of a single department, but of the Government and the public as a whole. Since that time, there have been a number of changes in the sampling design and there has been one change in definition, but there has been no change in the basic concept of measurement, that of current attachment to the labor force, measured in terms of activity during a week.

In July 1959 responsibility for planning, budgeting, analyzing, and publishing the Monthly Report on the Labor Force was transferred from the Bureau of the Census to the Bureau of Labor Statistics, since the series fit in better with the manpower responsibilities of the Department of Labor. However, the actual collection and compilation of the information from households in the current population survey sample is still in the hands of the Bureau of the Census, acting as agent for the BLS, and no change in sample, in concept, or in question wording has been made since the transfer of responsibility. The same interagency committee chaired by the Assistant Director for Statistical Standards, Bureau of the Budget, continues to watch over the policy implications of any major proposals affecting the survey, such as sample revision and seasonal adjustment procedures.

In addition to the general surveillance exercised by the Bureau of the Budget through its Office of Statistical Standards with the advice of other Government agencies, the current population survey has had the benefit of a wide range of advice from specialists and users of the data. A panel of technical consultants has advised the Census Bureau on the sample design; the Review of Concepts Subcommittee, established by the Bureau of the Budget, undertook a fundamental review of the concepts and measurement problems in the midfifties; and the Joint Economic Committee of the Congress has held hearings on U.S. employment and unemployment statistics a number of times.

The Review of Concepts Subcommittee was appointed by the Bureau of the Budget in 1954 to review the labor force and related series in the light of the needs for employment and unemployment data. In addition to Government agencies, every attempt was made to consult users of the data among members of the public, research organizations, business, labor, and individual experts in universities and elsewhere. The full report of this Subcommittee was published in the hearings on "Employment and Unemployment Statistics" held before the Subcommittee on Economic Statistics of the Joint Committee on the Economic Report, November 7 and 8, 1955.

With regard to the concepts used in labor force statistics, the Subcommittee recommended continuation of the basic concept of measuring labor market attachment by activity during the survey week, but it did recommend one change in the application of this concept. In consulting members of the public it found almost universal agreement that two groups, at that time counted among the employed as having a job although not at work, should be shifted to the unemployed. These two groups were those on temporary layoff with definite instructions to return to work within 30 days, and those who had found new jobs but had not yet reported to work. According to the definitions then in use, these people had jobs, even though not working and not receiving earnings. In accordance with public understanding, they were "unemployed."

At the same time, there were indications that temporary layoffs were becoming more generally used as a prelude to permanent layoffs. Promised call-backs did not materialize in many cases. If persons on temporary layoff were not included among the unemployed, the usefulness of the series as an early warning system of an economic downturn might be impaired. For this reason, the Subcommittee recommended that these groups be reclassified as unemployed.

The Advice of the Subcommittee was accepted and made effective in January 1957. However, it should be noted that figures were available which permitted making this change in the overall employment and unemployment series back to the beginning of 1947, so that the series is consistent for more than 13 years, including the entire period of the three postwar recessions. Also note that the groups have been counted separately since, so that anyone who wishes may adjust them back to the former definitions at any time if he so desires. In number, the 2 groups have amounted to about 275,000 per year, adding less than 10 percent to the unemployed, taking about 0.4 percent from the employed.

Minor changes in the series also occurred when the 1950 census population figures were incorporated in January 1953 and when Alaska and Hawaii were added in January 1960. These changes do not affect the overall unemployment rate in any appreciable way. Users of the unemployment rate statistics, as revised back to 1947 to take account of the one change in concept noted above, may rely on the fact that they are using a series which uses the same basic concepts and methodology for the entire period from 1947 to the present.

## APPENDIX III

UNEMPLOYMENT TRENDS AND IMPLICATIONS<sup>2</sup>

(By Murray Wernick)

Three broad issues related to our current level of unemployment are causing heated public discussion: (1) The apparent increase in unemployment after each business cycle. In 1953, the rate was 3 percent of the civilian labor force; in 1956, 4 percent; and in early 1960, 5 percent. Put in another frame of reference, over the two business cycles the labor force expanded faster than employment, and unemployment increased over each cycle an average of between 250,000 to 300,000 a year. (2) The failure of unemployment to respond to cyclical expansion in business this year. The unemployment rate has been just below 7 percent for 11 months and was 6.8 percent in October. (3) Who is really unemployed in our population of working age?

## RISE IN NUMBER OF JOBSEEKERS

In examining the upward drift of unemployment between 1953 and 1960, I have been not so much concerned with causes, but rather have tried to see if I could cut across the various flows of workers into and out of the labor force and unemployment to determine the sources of the higher levels of unemployment in the period. Broadly speaking, the flows into unemployment in this period can readily be separated into two groups, each with substantially different personal and work experience characteristics.

One flow into unemployment originates directly from reduced levels of employment and might be called visible unemployment. It can be associated almost directly with changes in production and employment in specific industries and often tends to be localized in geographic areas where these industries are concentrated. Sometimes, as in mining and railroads, there have been extensive reduction in output or activity, and employment has declined by 650,000 since 1953. But often the work force is curtailed even though output is increasing from cycle to cycle. This happens when productivity in the industry is rising faster than production. The best example is the 1.5 million decline in employment of production workers in manufacturing industries between 1953 and 1960, although manufacturing output rose about one-fifth. Output per man-hour of production workers has been increasing at a rate of 4.5 percent per year and output only 2.5 percent. As a result, as can be seen in chart 1, industrial employment after each cycle has not returned to previous highs. These declines in industrial employment have resulted in a rise in unemployment. The persons affected have in large part been adult males who tend to be in semiskilled or unskilled occupations. A high proportion are primary workers and heads of families who shift very slowly, if at all, into our expanding activities. If the labor force were constant, this flow into unemployment would be the only one of serious concern.

A second flow into unemployment can be said to have come from the increased numbers in the labor force who were not absorbed into gainful activity. This source of additional jobseekers is less visible, and its economic impact tends to be diffuse and widespread geographically. Characteristics of these unemployed in respect to age, sex, and skill (and this is important), are substantially different from those who have lost jobs in declining industries. You can't tell from employment, production, or GNP data how many there are, or where they come from. This group of unemployed tends to consist mainly of secondary workers—youths and married women—many of whom supplement family income. They may have had some experience and they almost always seek jobs in nonindustrial activities such as trade or services which are expanding employment. These industries also mainly employ persons with entirely different occupational and demographic characteristics than those of the laid-off factory worker.

One important finding when we examine the labor force of each industry is that in those industrial sectors in which employment has been drifting downward between 1953 and 1960, the labor force of that industry (i.e., the total number employed and the unemployed attached to the industry<sup>3</sup>) became smaller each year as the job opportunities were reduced, despite the

<sup>2</sup> Presented to the Cleveland Business Economists Club, Cleveland, Ohio, Nov. 7, 1961. The views expressed are the author's and do not necessarily reflect those of the board of governors.

<sup>3</sup> The unemployed are classified by the occupation and industry of their last job by the Department of Labor. Those who never held a job are classified as inexperienced unemployed.

ever-growing size of the total labor force. The reason for this is fairly obvious. There is attrition in the labor force of declining sectors because some of those who are laid off tend to drift into other industries or leave the labor force completely. In the declining sectors, increases in unemployment result almost entirely from reductions in employment in the industry; not from an increase in the labor force, nor from inflows from other sectors.

The flow of new workers and reentrants into the labor force goes, on net, either into the inexperienced unemployed or into the labor force of the expanding sectors. Most of the addition to unemployment attributable to growth in the labor force will therefore be found among workers who either never held a job or have occupational and industrial classifications similar to those called for by industries with rising employment such as trade and services.

#### CURRENT TRENDS

Now let us examine briefly labor market developments over the past year and a half. Unemployment did not rise as sharply nor was the rate as high as in the previous recession (chart 2). This mainly reflected a smaller decline in nonfarm employment which fell by 1.2 million from April 1960 to early 1961; in 1957-58, the decline was 2.2 million. Thus, between the second quarter 1960 and the first quarter 1961 unemployment went up from 5 to 6.9 percent of the civilian labor force compared to a rise from 4 to 7.5 percent in 1957-58.

In October 1961 nonfarm employment was close to the previous highs reached in the second quarter of 1960, but from early 1960 the labor force had increased by close to a million workers. In manufacturing, employment and unemployment trends in the early stages of the recovery have been more favorable than in the 1957-58 recession. Employment rose early and quite rapidly, increasing by 400,000 between February and June. Since little of the labor force increase goes into this sector, unemployment did decline (see chart 3) as employment rose. The reduction in unemployment has been very striking among workers whose previous jobs were in durable goods industries. (See chart 4.) In October 1961 the rate of unemployment in manufacturing industries, especially in the durable goods sectors, was significantly below the February 1961 high but still well above the second quarter 1960 rates. In trades and services there has been no comparable decline in unemployment this year.

This recovery has been different than the earlier ones in the lack of response of unemployment in the trade and service sectors to the change in the more volatile manufacturing sector. In each of the earlier cycles, as shown on charts 6 and 7, total unemployment turned around and declined about the same time that durable goods unemployment began to fall.

But in this cycle the declines in manufacturing unemployment since February have so far been roughly offset by net increases in unemployment reported in other private nonmanufacturing areas. For instance, while unemployment in manufacturing was declining, in trade its continued rise until midyear and has been higher most of this time than during the comparable 1958 period. Similarly, among workers previously employed in services and transportation, there has been no decline in unemployment this year. Most persons with no previous job experience have been looking for work than in previous recessions and recoveries (chart 8).

The unusual sluggishness at this stage of the cycle in unemployment among the private nonmanufacturing sectors of the economy suggests a number of possible developments.

Both trades and services have long been considered activities with low productivity and rapidly expanding employment. Are we beginning to see in these sectors an attempt to bring employment costs under better control following a period of extremely rapid rise both in wages and employment? The evidence in the services is not clear. In retail trade current competitive conditions are resulting in an extensive attempt to decrease employment costs. Employment levels are apparently being held down wherever possible and new merchandising techniques are being rapidly introduced. Productivity data do indicate more rapid gains in the nonmanufacturing sectors than in comparable periods in other cycles. In addition to larger gains in productivity, some slowdown in the increase in consumer expenditures for goods has taken place this year. Any leveling off in sales would, of course, be expected to be reflected in less expansive employment levels in trade establishments.

The divergent trends indicated above have resulted in some significant shifts in the composition of unemployment since the turnaround early in this year.

In February 1961, 28 percent of the unemployed had previously been employed in durable goods industries. In October the proportion had fallen to 21 percent. In contrast, in trade and services the proportion is higher than earlier. There is also a relatively higher proportion of women unemployed than earlier this year. Much the same kind of change is also evident when the comparison is made with October 1958. Women comprised 35 percent of the unemployed in the earlier period; now the proportion is 41 percent; while the proportion of adult males has dropped from 54 to 48 percent. If we examine the occupational groupings we find much the same trend. Those previously employed as clerical, sales, and service workers accounted for 28 percent of the unemployed in the earlier period and over 34 percent currently; while the proportion of semiskilled and unskilled workers who were unemployed declined from 44 percent in October 1958 to a total of 39 percent in October 1961. The long-term unemployed which includes a relatively high proportion of males and industrial workers is slightly lower relatively and absolutely than in 1958.

Because I have stressed the importance of both nonmanufacturing and secondary workers in our unemployment count, it may be helpful at this point to discuss briefly the ambivalent approach to our measure of unemployment which is often taken by both laymen and experts in this country. I think we as economists should point out that there are clearly two distinct ways of looking at the count of unemployed and confusion results when the two approaches are not clearly differentiated. First, unemployment may be and often is thought of in terms of the hardship it causes to the individual and his family. It is true that if a public opinion survey were taken today, and the "man in the street" was asked who should be counted as unemployed, the results would probably come out something like this:

1. Married men with dependents.
2. Female heads of families with dependent children.
3. Married heads of families without dependents.
4. Single individuals who support themselves.
5. Job seekers over 65 years of age.
6. Married women whose husbands are working.
7. Younger workers under 20 years of age whose earnings supplement family income.

Within these groupings, duration of unemployment, loss of income due to unemployment, amount of contribution to family income by secondary workers, receipt of unemployment compensation benefits, etc., would also probably be considered in determining the seriousness of unemployment.

The other approach to unemployment tends to emphasize the loss of output, income, and consumption to the entire economy resulting from the underutilization of available manpower resources. The reduction of total unemployment to a frictional level, providing other resources are also available, will result in higher aggregate output and income for the economy. Availability and employability of workers seeking jobs at going wages and working conditions are considered the critical factors in determining the amount of our potential labor supply and the underutilization of human resources at any time.

The current measure of unemployment of the Department of Labor does in fact take both schools of thought into account and, all things considered, is a fairly successful compromise. Extensive classifications as presented by key characteristics of the unemployed, such as age, sex, color, family status, and duration of unemployment, do make possible some judgments related to the problems of need and hardship. At the same time a quantitative measure and an important indication of our potential manpower resources is estimated in any month as the total labor force. Utilization is obtained by separating the labor force into the unemployed and employed. However, the monthly data are not an entirely sufficient measure of either approach to unemployment. Briefly, to more adequately measure need or hardship of the unemployed, it is necessary to have more information on the kind of people who are unemployed including whether they are in fact primary or secondary workers, which of the unemployed have dependents and how many, the financial situation of unemployed workers and their families, the financial adjustment of families to unemployment, location of the unemployed, and reasons for loss of job. Fortunately, the Department of Labor is now preparing a special survey of persons unemployed in 1961 which will provide some of the necessary information to answer the above questions. Moreover, it can also be claimed that the question "seeking work during the survey work" now used to identify the unemployed, does not provide a true measure of our unutilized or underutilized manpower resources.



There is a large reservoir of experienced workers who are currently classified outside the labor force each month. We do not know why or under what conditions they will take jobs. We do know, however, that hundreds of thousands of these persons do enter or reenter the labor force each month and take jobs often without ever being reported as unemployed. Knowledge of why and under what conditions persons outside the labor force can be employed is essential information if we are to better understand our potential labor supply.

Our present labor force measurement also does not provide much information on underemployment. We do not know the extent to which people are working below their skills, education levels, or in activities which are not efficiently using their talents and abilities. While we have some information on involuntary part-time work, it is not sufficient. Unquestionably, our output and income could be substantially expanded if those who are currently underemployed were used more productively.

The following, it seems to me, are some of the important conclusions that follow from my analysis of unemployment trends:

1. We have had a relatively good record in recent years in expanding total employment. However, we are continually faced with the inescapable challenge of a rapidly growing population of working age. Since 1953, except for short periods of cyclical recovery, the labor force has been increasing faster than employment. The only major solution to this problem is an expanding economy which will provide the 1.2 to 1.5 million additional productive jobs required each year over the next decade.

2. There have been very significant shifts in the industrial and occupational structure of our labor market which have increased unemployment. The movement away from blue collar jobs to white collar employment gives every appearance of being a continuing one. Transition and adjustment to new jobs for factory workers will require time and possibly Government assistance. Expanding sectors of the economy do not easily absorb these displaced workers because of lack of education, skill, and mobility. This unemployment problem is one of serious continuing concern.

3. Although a large number of our unemployed are adult males with family income responsibilities, there is also a large group, and possibly a growing one, whose income when working only supplements that of the head of the household. However, employability in our current labor market is not determined by needs or hardship of individuals. Employers, as in all other markets, will demand only those resources which can make a maximum contribution to output. Those with the appropriate skill, age, sex, education will be the first to be hired. This is true whether they are classified as unemployed or not in the labor force. Despite some rise in unemployment among secondary workers, the gains in employment in recent years have been most rapid among married women and youths. This has occurred not only because a ready supply of such labor was available, but also because this supply had the best qualifications for the available job opportunities.

The recent expansion of employment of secondary workers has led to some very extraordinary socioeconomic developments. Multi-earner families have been increasing at an estimated annual rate of 3 percent per year or more than twice the pace of total households. Multi-earner families are an important base for our exceptionally large middle-income class. Over two-thirds of all families with an annual income of \$7,000 or more in 1959 include at least one supplementary worker. Our increased expenditures for homes, cars, education, and the rise in savings are undoubtedly, in part, related to the ability of the economy to utilize the secondary worker productively. The loss of a job or the inability to find a job by the supplemental earner may not put the family in the needy or hardship category but can have a significant impact on current and future expenditures for goods and services.<sup>4</sup> It is difficult to understand why we should exclude this exceptionally large group of workers from our labor force counts, as some people have suggested, in light of their essential current and potential contributions to the economy.

4. We have just begun to feel the impact in our labor force of the extraordinarily large jump in birth rates following World War II. Chart 8 on the inexperienced unemployed is just one aspect of the well-known baby boom of the 1940's. This rise in unemployment among our youths has been called by Dr.

<sup>4</sup> National Industrial Conference Board, Business Record, August 1961, "Multi-earner Families: I."

James Conant social dynamite. As these youths become older the number and proportion who are in the labor force will increase substantially. In fact, many of the young men will become primary workers in 3 or 4 years; their attachment to the labor force will become permanent; and the question of need for jobs will become increasingly self-evident.

5. So far the overall levels and rates of unemployment in the current recession have not been far different from those in the 1958 recession. The major peculiarity in the past year has been the decline in unemployment coming from the manufacturing industries, while other sectors such as trade and service have shown an unusual lag in reducing unemployment in this recovery period. Apparently the greater increases in productivity and the slowing down in expenditures for consumer goods this year account for these developments. With rising income and activity, we would expect these sectors to again expand rapidly and absorb many of those currently classified as unemployed into productive activity. However, because of the critical position these industries with sharply rising employment have had in the labor market in the postwar years, future trends should be watched carefully. It no longer should be easily assumed that the past trend lines can be extrapolated indefinitely for trade and service employment.

CHART I

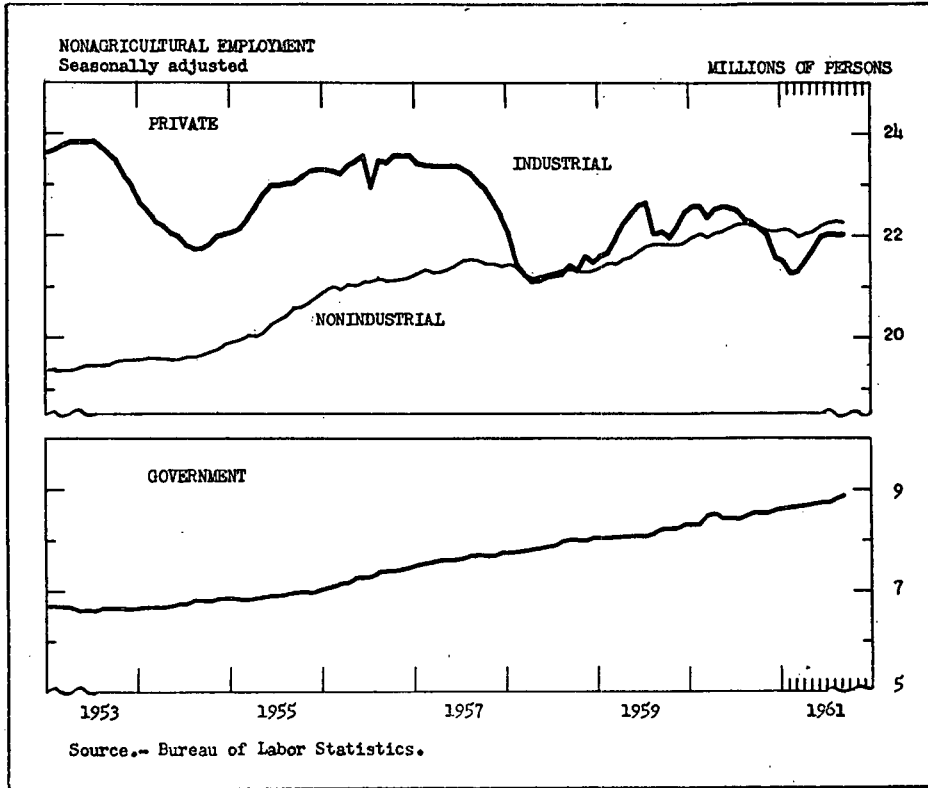


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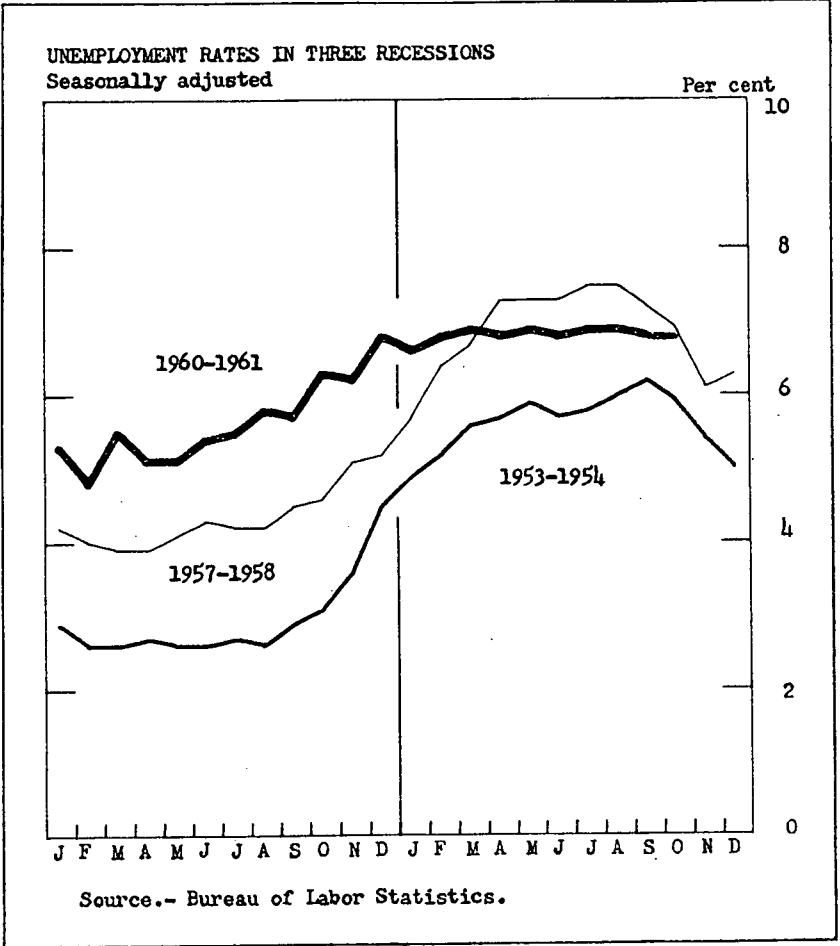


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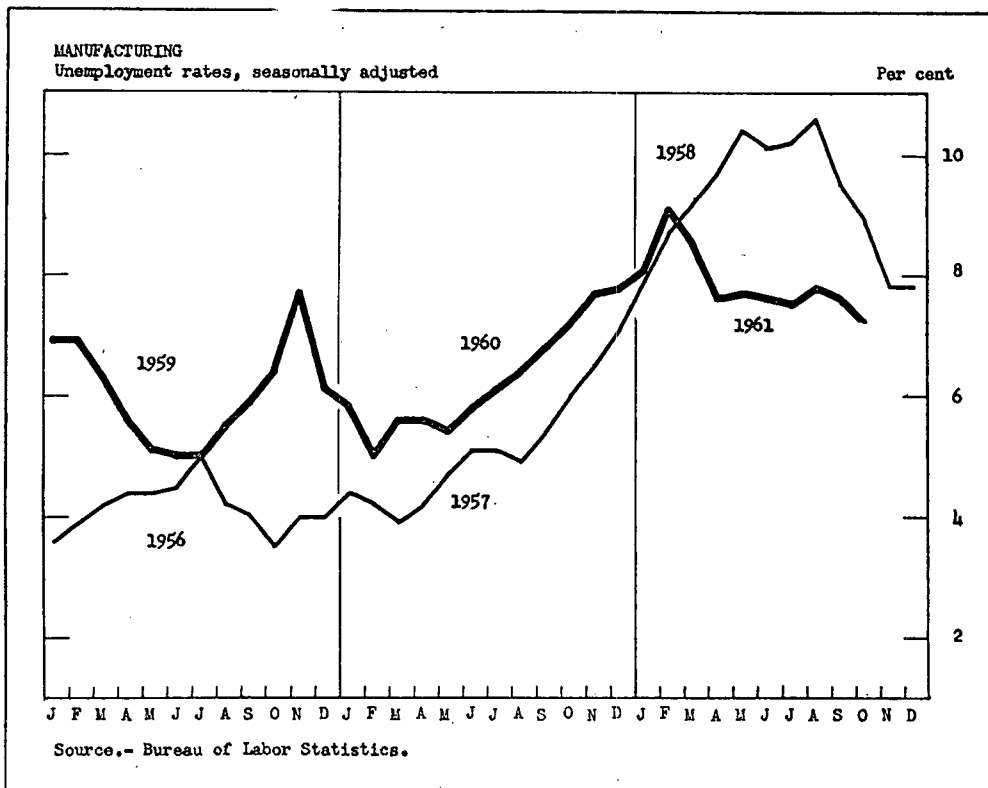


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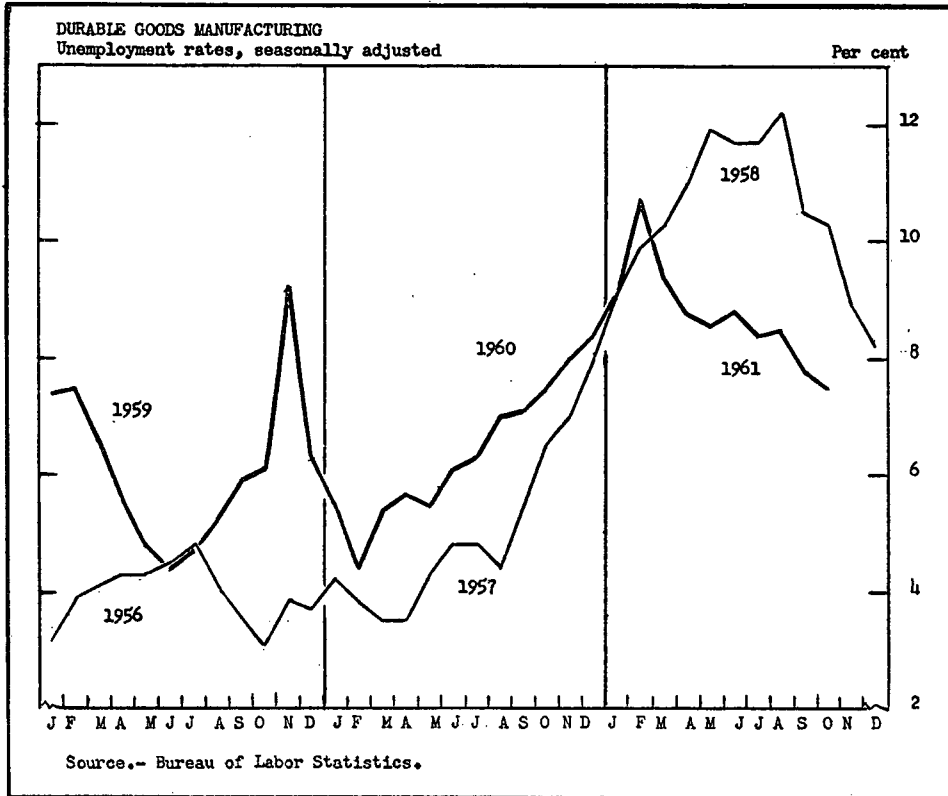


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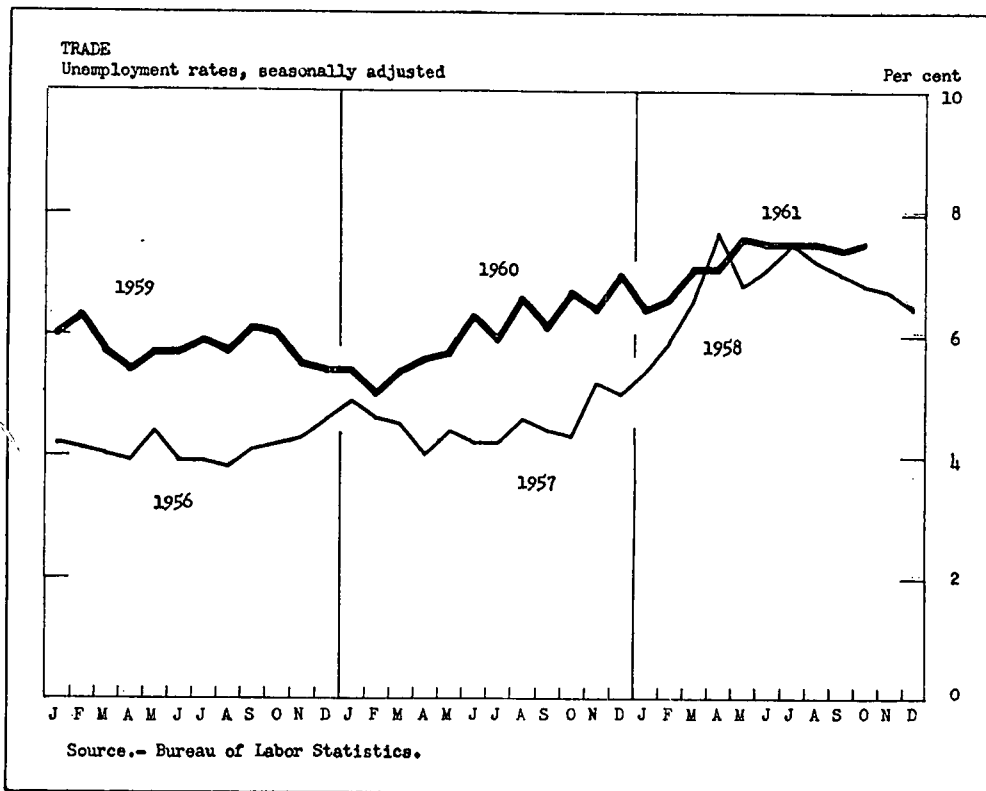


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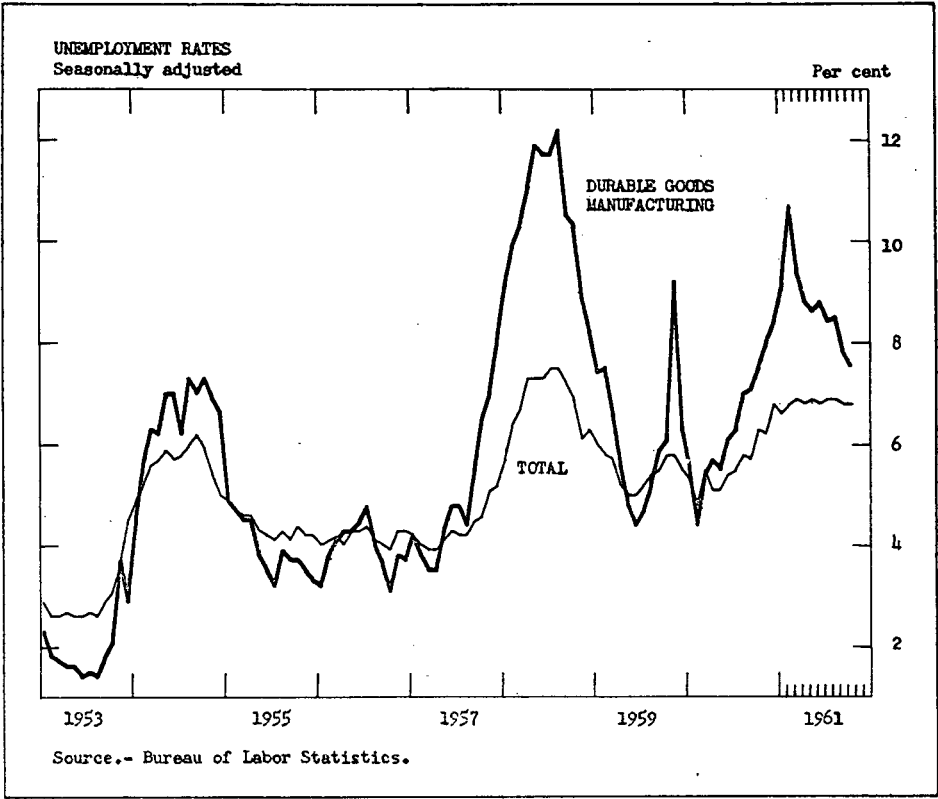




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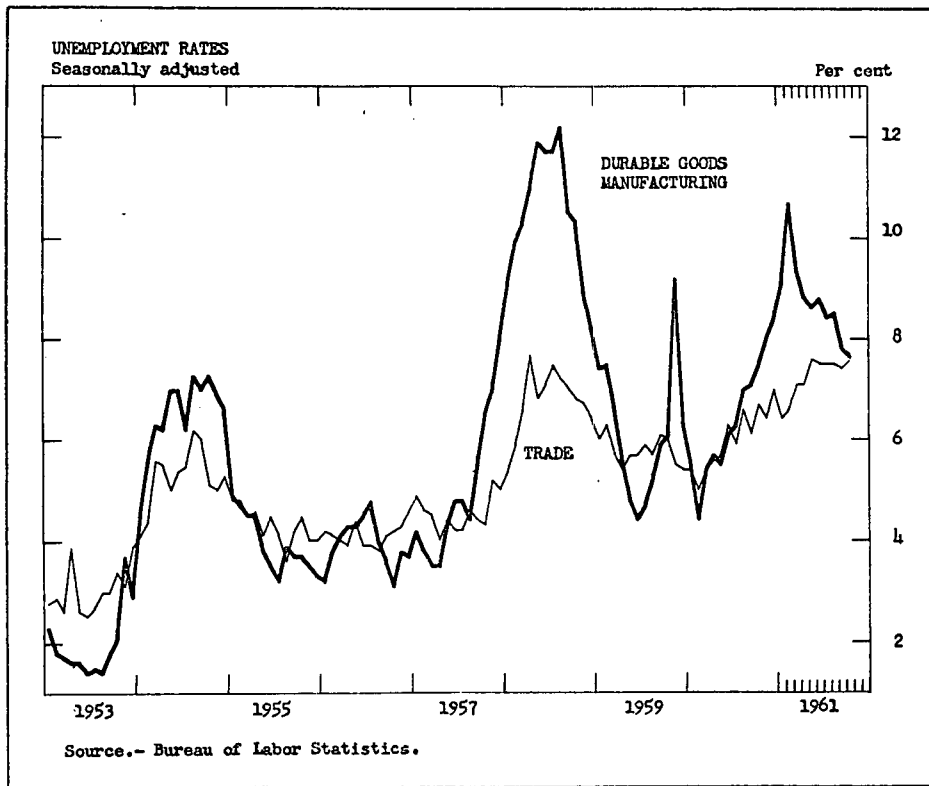
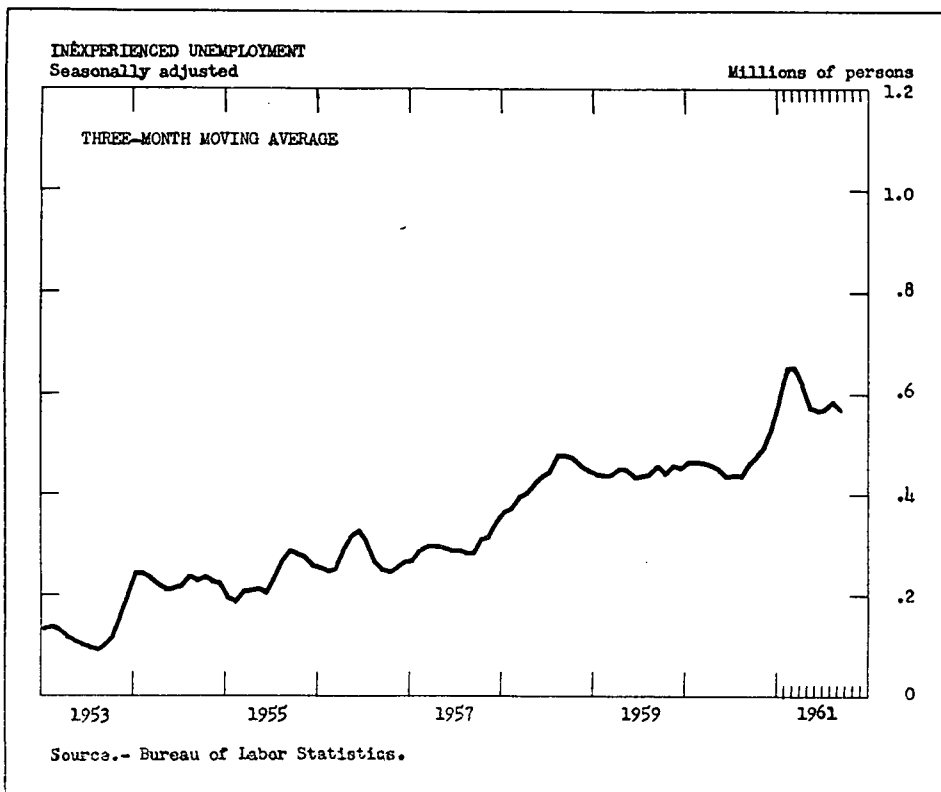


CHART VIII



## APPENDIX IV

## TEXT OF RESOLUTIONS ADOPTED BY THE CONFERENCE

## RESOLUTION CONCERNING STATISTICS OF THE LABOUR FORCE, EMPLOYMENT AND UNEMPLOYMENT

## The Eighth International Conference of Labour Statisticians—

Having been convened at Geneva by the Governing Body of the International Labour Office, and having met from 23 November to 3 December 1954, to consider, among other subjects, methods of implementation of the Resolution of the Sixth International Conference of Labour Statisticians concerning statistics of employment, unemployment and the labour force and a review of definitions;

Recalling Resolution No. V of the Sixth Conference concerning the further consideration of international standards for statistics of employment, unemployment and the labour force;

Recognizing the usefulness of such standards in the provision of technical assistance to countries with less well-developed statistics, and in the provision of guidance to all countries in efforts to obtain international comparability;

Adopts this third day of December 1954 the following resolution in substitution for Resolution I of the Sixth Conference:

## GENERAL OBJECTIVES

1. Every country should aim to develop a comprehensive system of statistics of the labour force, employment and unemployment, in order to provide an adequate statistical basis for the analysis of economic and social problems of the labour force, of employment and unemployment, and, in particular, for the formulation and application of policies designed to promote economic development.

2. These statistics should be developed in accordance with the specific needs of each country in the light of its social and economic structure and, in so far as possible, in accordance with international standards in order to promote comparability among countries.

3. All member countries should make every effort to supply statistics to the International Labour Office on the basis of these standards.

## DEFINITIONS

*Definition of labour force*

4. The civilian labour force consists of all civilians who fulfill the requirements for inclusion among the employed or the unemployed, as defined in paragraphs 6 and 7 below.

5. The total labour force is the sum of the civilian labour force and the armed forces.

*Definition of employment*

6. (1) Persons in employment consist of all persons above a specified age in the following categories:

(a) at work; persons who performed some work for pay or profit during a specified brief period, either one week or one day;

(b) with a job but not at work; persons who, having already worked in their present job, were temporarily absent during the specified period because of illness or injury, industrial dispute, vacation or other leave of absence, absence without leave, or temporary disorganisation of work due to such reasons as bad weather or mechanical breakdown.

(2) Employers and workers on own account should be included among the employed and may be classified as "at work" or "not at work" on the same basis as other employed persons.

(3) Unpaid family workers currently assisting in the operation of a business or farm are considered as employed if they worked for at least one-third of the normal working time during the specified period.

- (4) The following categories of persons are not considered as employed:
- (a) workers who during the specified period were on temporary or indefinite lay-off without pay;
  - (b) persons without jobs or businesses or farms who had arranged to start a new job or business or farm at a date subsequent to the period of reference;
  - (c) unpaid members of the family who worked for less than one-third of the normal working time during the specified period in a family business or farm.

#### *Definition of unemployment*

7. (1) Persons in unemployment consist of all persons above a specified age who, on the specified day or for a specified week, were in the following categories:

- (a) workers available for employment whose contract of employment had been terminated or temporarily suspended and who were without a job and seeking work for pay or profit;
  - (b) persons who were available for work (except for minor illness) during the specified period and were seeking work for pay or profit, who were never previously employed or whose most recent status was other than that of employee (i.e. former employers, etc.), or who had been in retirement;
  - (c) persons without a job and currently available for work who had made arrangements to start a new job at a date subsequent to the specified period;
  - (d) persons on temporary or indefinite lay-off without pay.
- (2) The following categories of persons are not considered to be unemployed:
- (a) persons intending to establish their own business or farm, but who had not yet arranged to do so, who were not seeking work for pay or profit;
  - (b) former unpaid family workers not at work and not seeking work for pay or profit.

#### CLASSIFICATIONS

8. Persons in the labour force should be classified in occupational groups which are convertible into the International Standard Classification of Occupations as adopted by the Seventh International Conference of Labour Statisticians. When a more detailed classification has been adopted by a future International Conference of Labour Statisticians it should be used as the revised standard for the classification of persons in the labour force.

9. Classification of persons in the labour force, the employed and the unemployed (the latter on the basis of their last activity) according to branch of economic activity should adhere to or be convertible into the International Standard Industrial Classification of All Economic Activities.

10. Persons in the labour force, the employed and the unemployed (the latter on the basis of their last activity) when classified by status (as employer, employee, etc.), should be distributed among the following groups, pending the possible modification of these groups by the United Nations or specialised agencies on the basis of the results of the 1950 censuses:

- (1) employees;
- (2) employers;
- (3) persons who work on their own account without employees;
- (4) unpaid family workers.

11. (1) The classification used in presenting statistics of unemployment according to duration should permit data to be derived for the following intervals: less than one week, one week or more but less than one month, one month or more but less than three months, three months or more but less than six months, six months or more.

(2) For the purpose of statistics on duration of unemployment, duration means the period from the commencement of the current unemployment status up to the date of the count.

#### SCOPE AND NATURE OF STATISTICS

12. The statistics of the labour force, employment and unemployment developed by each country should cover:

- (1) all branches of economic activity;
- (2) all persons; employed and unemployed;
- (3) all status groups (employers, employees, etc.).

13. Such statistics should provide:

- (1) Comprehensive basic data in the fullest possible detail at convenient intervals (hereafter referred to as "benchmark data"), and
- (2) Series, not necessarily in the same detail, to show current changes.

*Benchmark data*

14. A population census should be taken at least every ten years and should provide detailed statistics of employment, unemployment and the labour force, including data for each sex, classified by:

- (1) status (as employer, employee, etc.);
- (2) branch of economic activity;
- (3) occupational group;
- (4) age group;
- (5) marital status;
- (6) region.

15. Censuses of establishments engaged in agriculture, mining and manufacturing, and, if practicable, in other divisions of economic activity, should be taken in every country at least every ten years and should provide detailed basic statistics of employment including data for each sex, classified by:

- (1) status (as employer, employee, etc.);
- (2) branch of economic activity;
- (3) region;
- (4) size of establishment (according to number employed);
- (5) form of ownership of establishment (private, public, co-operative, etc.).

*Labour force data*

16. Every country should prepare estimates of the civilian labour force classified by sex and age at least once a year.

*Employment data*

17. The principal series relied upon to show current changes in employment should yield at least the following information:

- (1) Once each year, the number of employed persons of each sex, classified by:
  - (a) age;
  - (b) status (as employer, employee, etc.);
  - (c) employment in agriculture and non-agricultural industries.
- (2) Once each quarter, the number of employees (wage earners and salaried employees) in non-agricultural industries with separate data for each industry in which as much as 5 per cent of the country's total employment is found.
- (3) Separate series should be made available periodically for:
  - (a) persons included among the employed in a specified period who were not at work, classified by cause of absence from work;
  - (b) employed persons classified according to the number of hours worked per week.
- (4) Where seasonal changes in agricultural employment are substantial, estimates of agricultural employment, based on special studies, should be made more frequently than once a year in order to measure the seasonal movement.
- (5) Any country which has not established a series on the general level of employment should lay the foundations for such a series by commencing to collect data relating to persons of each sex employed in establishments, beginning with manufacturing industry and extending the collection to other branches of economic activity as resources and facilities become available.

*Unemployment data*

18. Series showing the total numbers unemployed, analyzed by sex, should be prepared at least quarterly.

19. The data used as a basis of unemployment statistics should be analyzed at least twice a year to show the numbers of unemployed persons of each sex according to:

- (1) branch of economic activity in which last employed;
- (2) occupational group;
- (3) region;
- (4) age group;
- (5) duration of unemployment.

20. The number of unemployed persons classified by age and sex, as well as by duration of unemployment, should be provided, periodically at least, for those regions in which unemployment is particularly severe.

21. The data used as a basis of unemployment statistics should be analyzed at least once a year to show the numbers of unemployed persons of each sex who:

(1) were temporarily laid off (laid off with instructions to return to work within 30 days);

(2) had found paid employment but had not yet started to work;

(3) were on indefinite lay-off or had no job attachment.

22. Statistics on unemployment do not have the same significance in industrially less developed countries as in other countries, and should not have the same priority in the national statistical programme; however, a country wishing to start collecting data on this question might commence with data relating to the principal urban centers, collected by means of labour force sample surveys or as part of more general sample surveys.

Senator PROXMIER. Mr. Bowman, this is a very excellent statement.

I would like to go back and preface my question by saying it seems to me that we have had about as dismal a failure in this area as in any phase of public policy. This isn't political; it is just a matter of recognizing that we have heavy unemployment. We have it in times of relative prosperity in other areas of the economy, and the answers are just appallingly inadequate. I think one of the reasons is that we don't know what we are talking about. You point out in your statement that additional research studies on such subjects as the characteristics of the unemployed, their jobseeking and jobholding histories, have had little attention to date. That is true. How can we expect to solve this tough problem unless we actually talk to these people, find out exactly what their experience is, how often did they seek work, not just whether they were unemployed, did they make any efforts to prepare themselves for a job, and where they go to seek work, and so on, so they were in a position to know the extent to which unemployment should be blamed on the lack of employment, and to some extent that is true. I am certainly one who recognizes that it is primarily an overall economy problem, but we have to get this fundamental question answered.

Also, you go on to indicate other areas of inquiry.

Now, I would like to ask you that you do that, if you can, make available to us in detail precisely what kind of interviews are going to be conducted, what questions will be asked, what training or experience the interviewers will have, how many you will have, and how many people are going to be interviewed altogether, and in what kind of areas.

This kind of information can be very valuable to us.

(The material referred to was not received at the time the hearing went to press. When received it will be made a part of the committee records.)

This second observation I would like to make, rather than a question, is that it is terribly important that this be used. Our Government, as you know, has developed all kinds of information which nobody looks at.

Once this information is published, it ought to be used.

That is why I think this subcommittee of both branches of Congress will have the responsibility to do all we can to see that this is known by both branches of Congress. And as chairman of the subcommittee I will do my best to see that it gets out and is used most widely by people of various viewpoints, conservatives, liberals, Democrats, and Republicans. They are all challenged on the basis of it, and I will see that the facts are made available to them.

So I am merely requesting that you do all you can to make available to the committee how this is going to be done, and then follow up as often as possible the progress that is being made, because this is a very, very heartening report you are giving us on the extension of inquiry which you expect to have now.

Now, we are getting down to business. Now we are going to find out what the score really is. And then I think we will be in a position to do something sensible and make some progress on this problem.

So I think this is going to be eminently helpful, and it will be a great public service.

Mr. BOWMAN. I will certainly be delighted to do that, Mr. Chairman.

Senator PROXMIRE. We know that anybody with an outstanding drive is going to get a job.

But until we have some kind of qualitative approach to this it is hard to act sensibly.

Mr. BOWMAN. One thing we are doing in the survey we are conducting now; some people have said that the unemployed aren't really available for employment, they are sick, and we are going to make a study of the amount of illness among the unemployed as compared with the population generally.

I would like to make this remark, too, Mr. Chairman. I think you recognized the distinction between getting the facts and following up the facts with action. My basic job is to get the facts if at all possible and get them accurately and not be influenced in the getting of them by the policy positions that different groups are taking. But then there is also the problem of following up on that kind of information.

Senator PROXMIRE. There is also the problem that there has to be a constant relationship between these things, because there is a vast universe of facts on almost everything, and until they are constantly related to policy, the specific facts we go after can be irrelevant and useless.

I am sure you are aware of that. That is why I say that I think this committee should know what you are doing, not that you aren't far more competent than any of us, but that we are more in a position to act on policy, and we can tell you what other information can be most useful to us, and people like Senator Clark particularly, who has the major responsibility in the Senate in this field, it will be most useful to him. I notice that at the end of your statement you say:

Little has been written for the seriously interested layman on what is being measured and why.

Once again, this is the kind of information with which somehow we must be able to break through and counteract, the kind of very well written and widely read articles that Mr. Daniel has.

Now, Mr. Daniel is entitled to his point of view. But this is what millions of people think of when they think of unemployment statistics, tragically, because this is the most widely read magazine in the country. And the editorials in many of our big papers have picked it up and repeated the gist of it.

It is a terribly tragic difficulty, not because that point of view shouldn't be vigorously represented, but because it is not represented with truth or the facts. Somehow we have to be able to get this other viewpoint across, also.

Mr. BOWMAN. That is what we tried to do in this little paper we mentioned here, and we had quite a little success with it, but we don't have 50,000 readers.

Senator PROXMIRE. That is correct; the number of readers is sadly disproportionate.

I will yield now to Mr. Widnall.

Representative WIDNALL. Mr. Bowman, I have a couple of questions I would like to ask you which are not based on your testimony, but they have to do with something I feel is extremely important in relating our position to the world in respect to trade. And I am going to ask these questions about the difference between the c.i.f. evaluation of imports and the f.o.b. evaluation as it applies to the United States and the other countries.

Now, isn't it true that the vast majority of countries in this world evaluate their exports on an f.o.b. basis and their imports on a c.i.f. basis?

Mr. BOWMAN. That is correct.

Representative WIDNALL. Now, the United States does not do that. What is the reason for that? Is there any basic reason for it?

Mr. BOWMAN. Yes, there are pros and cons on the valuation issue, and there is no consensus among our experts that on balance c.i.f. is preferable. The United Nations requests all countries of the world to report their export and import figures valued at the border of the country; that means exports on an f.o.b. basis and imports on a c.i.f. basis. An overriding reason in the United States why this is not done is that the tariff act provides that ad valorem duty shall be fixed on the foreign value of the things being imported.

So we have to, for the very purposes of tariff, get an f.o.b. value, even if there were a general preference for c.i.f. data which there is not.

We could possibly get a c.i.f. value as well. It would be rather highly burdensome. We have worked on this problem a little bit with the idea that we don't like to be uncooperative with the rest of the world, and we would like to provide in our reports to the United Nations estimates on a c.i.f. basis even though we have to have an f.o.b. basis to carry out the provisions of law.

We have looked into this, and we could, by making sample surveys of import documents, estimate for a sizable number of commodity classes an amount to add to the f.o.b. figures to get a c.i.f. figure. This would cost us probably in the neighborhood of about \$100,000 the first 2 years, and about \$25,000 or \$30,000 every year thereafter.

Now, we have reviewed this problem with the agencies of the Federal Government. We have talked it over with Canada, which happens to be one of the countries that does the same thing we are doing. And we have had no sizable demand other than the U.N.'s request to spend money in this area.

Representative WIDNALL. Aren't we kidding ourselves on the relation of our imports to exports when we compare our trade balances with Japan, Denmark, Germany, and the like? There is a recent joint committee print on Japan in U.S. foreign economic policy, and on page 14 it says U.S. exports to Japan in the period from the surrender in 1945 through the end of 1960 total almost \$10 billion, imports almost \$6 billion."

Now, if we were evaluating that the way they do in these other countries, the imports would be 20 to 25 percent higher than that.



And our trade balance, which is the thing that we are definitely interested in, would be changed by a couple of billion dollars.

Mr. BOWMAN. As a matter of fact, we do have information in our balance-of-payments statement on the freight and insurance costs which account for the difference between c.i.f. and f.o.b. But we take account of the fact that if the imports that we received from Japan come to us in domestic bottoms, that is not an import; in other words, we are buying from ourselves. If they come to us in foreign bottoms, then this is something that can be added to imports. The same way if the importer uses the American insurance companies, then this is not an import, it is a domestic operation.

If he uses foreign insurance companies, then this is an international transaction. And we have this information in our balance of payments statement; we don't have it detailed country by country or commodity by commodity, but the c.i.f. problem is to get the c.i.f. figures commodity by commodity. We have thousands of classes of commodities, and we have about 150 different countries, and if you multiply several thousands of commodities by a hundred and fifty countries of origin, you have quite a problem on your hands, if you try to get two bodies of data, f.o.b. and c.i.f.

Representative WIDNALL. Let me put it this way, and try to simplify it. What confuses me and bothers me very much in trying to evaluate it is this: If you shipped from the United States \$800 worth of hogs to Denmark, and Denmark would inventory those as \$1,000, the c.i.f. price. Now, Denmark in shipping to the United States ships \$800 worth of hogs, we evaluate those in the United States as \$800. If we evaluated them on the c.i.f. basis, it would be \$1,000. So there would be a standoff.

As I understand it, when Denmark comes to us and talks about trade relations, they say, you are exporting to us \$1,000 worth, and we are exporting to you \$800 worth, we have a bad balance trade to the extent of \$200, and Japan does the same thing, and uses this argument, when actually there is a standoff.

Mr. BOWMAN. Well, this has been taken into account. I would not think that our trade negotiators would be unaware of this fact; in fact, we have raised the question of how much value would there be to them having c.i.f. figures.

Thus far all I can say is that we have not been specifically encouraged to spend any public funds for the obtaining of this special body of information.

Now, if you are interested in it, we will certainly look into it further. And I have been somewhat interested in meeting our obligations to the United Nations also. And it doesn't seem to me that it would be unreasonable for the United States to spend a reasonable amount in order to provide data that will be useful to ourselves and to other countries for comparison purposes.

You see, if international figures were perfect, that is, if export and import figures were perfect, if every country had its exports on an f.o.b. basis, and its imports on a c.i.f. basis, and if all the statistics were perfect, then we would know both about everything, because if what we export to England we have on an f.o.b. basis, and they know what they import from us, and they have it on a c.i.f. basis, then we have for the same things both f.o.b. and c.i.f.

But there is a great difference between the accuracy of figures and the theory. For example, it is very, very difficult in some cases to trace accurately the country in which the import originated, because sometimes they go through different countries, they have different things done to them, and some of them are just commercial operations.

For instance, the Netherlands, we certainly include a lot of things that are imported from the Netherlands that didn't begin in the Netherlands at all.

I am not trying to indicate that this isn't an important problem, but I did want to call your attention to the fact that we have done a lot of work on it, and we have not yet developed a major interest in expending the funds for C. I. F. evaluation.

Representative WIDNALL. Is part of this due to the fact that a lot of people don't really understand the distinction between c.i.f. and f.o.b. and think it is unimportant?

Mr. BOWMAN. This certainly is not true of the technical people in the Federal Government who work with these data all the time.

Representative WIDNALL. But you say the demand hasn't been generated for it. Does the demand have to come from the outside?

Mr. BOWMAN. It ought to come from these people who are using the data all the time for the making of Government policy. And they feel that they have all the information they need for these purposes. And the only thing that I have had pressed upon me is the tidiness of not doing things differently than the rest of the world.

Representative WIDNALL. Just to sum it up as far as my own thoughts are concerned, we keep talking about the fact that we still have, I believe, a \$5 billion balance of trade setup as far as our country is concerned. If what I feel is the truth on this, it is only \$4 billion, or \$3.5 billion. That is a very important difference that should be pointed up, and we are only kidding ourselves for the future.

I wish we could go into this further and fully understand it, and the impact on statistics in connection with export balances and import balances.

Mr. BOWMAN. I would very much like the opportunity of arranging to have a paper prepared which would at least state the point as we see it, and would take into account your particular point, that this confuses us with regard to the balance-of-trade problem. Would you like me to have a statement of that sort?

Representative WIDNALL. Mr. Chairman?

Senator PROXMIRE. By all means.

(The material referred to was not received at the time the hearing went to press. When received it will be made a part of the committee record.)

Representative WIDNALL. Thank you.

Senator PROXMIRE. Senator Clark?

Senator CLARK. You may recall that on September 17 the widely read columnist, Arthur Krock, had a column in the New York Times entitled "The Misleading Nature of Unemployment Figures."

With your permission, I would like to have that introduced in the record at this point and ask the witness some questions about it.

Senator PROXMIRE. Without objection, it will be printed.

(The article referred to is as follows:)

[From the New York Times, Oct. 17, 1961]

IN THE NATION

THE MISLEADING NATURE OF UNEMPLOYMENT FIGURES

(By Arthur Krock)

WASHINGTON, October 16.—When two of the three words in a phrase lead to a false impression, that is a very high average, even in the jargon of bureaucracy. But the official phrase "rate of unemployment" can fairly be charged with this semantic delinquency on the basis of a copyrighted interview in the current issue of U.S. News & World Report with Ewan Clague, Commissioner of Labor Statistics. In this phrase only the possessive genitive "of" is pure.

At this point it should be noted that the source of the delinquency is not the Commissioner; it is the system of classification and computation by which his equations are restricted. Thus the latest figures he gave out, of the rate of unemployment in September, were 6.8 percent, a total of about 4.1 million. But, as the Commissioner explained to his interviewer, the hard-core group \* \* \* that measures our worst unemployment problem is only 760,000, or less than 1 percent of the available labor force in the United States. These are the people who have been out of work for more than 26 weeks, the normal limit for receiving unemployment pay.

Not, however, until the Bureau of Employment Security makes some of the checks which Congress at last has requested can any of the following have a sound idea of what the unemployment problem really is and what is its degree: Commissioner Clague, the Bureau of the Census, Congress, the executive department, union labor leaders and the people who base their evaluation of the problem on the official statistical releases, the newspaper headlines over them, and/or radio-television summaries.

If, for example, this Government used the enumeration method of Great Britain the September report would have shown, in millions of the then unemployed, 2 instead of 4.1, and an equivalent shrinkage in the comparative rate. In Britain, to be listed as unemployed (with its clear connotation of wanting and needing work), persons must register both particulars at a public employment office. The result is that few set down their names except those entitled to unemployment pay, and this excludes married women who seek jobs for reasons other than need; adolescents joining the labor market from schools or changing jobs; and those who are out of jobs because of having been discharged from or just quitting them. In the United States all these groups, plus part-time workers by preference or those made so by seasonable employment cycles, and those who have found no job offers suitable, are classed as jobless.

Some of the facts Commissioner Clague said he would like to know, in the interest of making these statistics really meaningful, are: How many of the unemployed are the chief support of the family? How many of the 4.1 million are in homes where at least one other person is working? How many families are really suffering because of unemployment?

#### THE SOLID DATA

But he also told his interviewer he was reasonably sure, from Census Bureau samplings and the computation of his own office, that the following are approximately the facts:

1. Of the total listed as unemployed, 10 or 12 percent are looking only for part-time jobs. In a recent year, for example, 78 million had jobs for part of it, but the July peak employment was only 68 million. The explanation, in units of millions, is that, of the 78 total, 47 had year-round work, 31 were out of work for one reason or another, 10 were in and out because of involuntary unemployment, and 21 were in and out of the labor force by their own decisions. These include adolescents who get jobs at the end of school in June and go back to school in September; women and youths who take jobs in the Christmas and Easter seasons; summer farmers and resort employees; and about 150,000 persons over 65 are currently seeking part-time jobs.

2. The causes of unemployment are: seasonal—especially affecting farmers and construction workers, about one-fifth of the total; technological change

displaces about 1.5 million annually because the economy did not increase its production simultaneously; cyclical unemployment, as in the steel industry, accounts for perhaps 1 million; and there is a steady increase in the labor force.

Widespread reading of the full text of the interview would help Commissioner Clague in his honest and valuable effort to clarify the statistics, and put them in the true perspective, which is obstructed by politics as usual.

Senator CLARK. Mr. Bowman, in this column, with which I think you are generally familiar, Mr. Krock makes the statement that the phrase "rate of unemployment," as used in our statistical studies, creates a false impression. And I wonder if you would agree with that statement?

Do you think that the rate of unemployment we are using now does create a false impression as to the status of unemployment in our country?

Mr. BOWMAN. No, I don't, Senator. But I do think that there are people who understand different things by the rate of unemployment. And there are some people who would presumably interpret this as meaning that 6.1 percent of the labor force are destitute. We are not measuring destitution, we are measuring availability for employment and not having it.

Senator CLARK. And you have never given any reason to believe that you are measuring destitution, have you?

Mr. BOWMAN. I have done everything I possibly can to insist that we are not measuring it with these statistics, that we oughtn't to measure it for the purposes of unemployment statistics.

Senator CLARK. Actually, would it be fair to state that the rate of unemployment as you compute it does give us a fair measurement of the economic loss due to people not producing some form of wealth which they are ready, willing, and able to produce?

Mr. BOWMAN. I certainly agree, and I think that it is the main purpose.

Senator CLARK. Now, Mr. Krock concludes his article by suggesting that putting unemployment statistics in a true perspective is obstructed by "politics as usual." In your service in the Federal Government under both Democratic and Republican administrations, have you been under any political pressure to change the nature of your statistics or as far as you know, those prepared by the Bureau of Labor Statistics or the Census Bureau?

Mr. BOWMAN. Never.

Senator CLARK. Mr. Krock is much impressed with the British method of computing unemployment statistics. And he suggests, at least by implication, that married women who seek jobs for reasons other than need should be excluded in determining the rate of unemployment. I wonder if you have any comment on that?

Mr. BOWMAN. I certainly do. I think this is entirely inappropriate, and I would also ask if he would exclude a married woman who is working from being counted among the employed?

Senator CLARK. That is an interesting question.

He would also exclude adolescents joining the labor market from schools or changing jobs. What would be your comment on that suggestion?

Mr. BOWMAN. Again, I think they should be included if they are looking for work. In my paper I comment on this, Senator Clark, and point out also that while need is a different thing, the studies we

have made indicate the importance of some of this part-time work to keep these people in universities and colleges, the extent to which they are earning their way through universities by part-time employment.

Senator PROXMIRE. Would you yield at that point?

Senator CLARK. I would be happy to yield.

Senator PROXMIRE. We will need more information to tell whether this could be an abuse of statistics or not, but I mentioned in my colloquy the other day with Mr. Clague and Miss Bancroft that my daughter, 15 years old, goes to high school, and certainly doesn't consider herself as part of the labor force. But I find she is in the labor force if she is looking for babysitter jobs, which she does occasionally, if during that week she had the babysitter job she is employed, and if she didn't find a job and would have liked to have had one and was inquiring about it, she is unemployed.

I am wondering about high school students.

We start at 14 now. I am wondering if the age is correct, No. 1, and, No. 2, if those who are going to school at the high school level, if it is sensible for us to have this category. And, furthermore, the information I really want to know is whether or not this does lead to any distortion of the statistics. If it is minor, if it amounts to a fraction of one-half of 1 percent or something, you can forget it. But it conceivably could be more than that, and it could be a distortion.

Mr. BOWMAN. This is, of course, a difficult point. All I can give you is my appraisal of it.

We very carefully do not ask the question, does anybody want a job? We ask them, are they looking for a job?

My understanding is—and I would have to make a special inquiry in order to be sure—that in most of the households that are interviewed, the high school student that occasionally takes, or fairly regularly takes a babysitting job, is neither reported as unemployed nor reported as employed. But I couldn't honestly say that in some instances this doesn't happen. My appraisal would be, it is not a significant disturbance to the unemployment and the employment figures.

Now, a question has been raised; in fact, Arthur Burns raised this question with me in a telephone conversation, why we have 14- and 15-year-old people in the labor force.

Well, we wanted to have information on a group of people that make take-home pay, and in addition, we wanted to be able to get good information on this.

Also, the data are shown separately for 14- and 15-year-olds as a group, so if somebody wants to take them out, they can do so.

Senator PROXMIRE. Let me say there is a good reason for making it 16, I should think. As I understand it, in most States they have to go to school until they are 16, and a truant officer will get after them if they don't. Maybe it should be 14; obviously there may be some children in some States who spend more time working than they are in school—but, by and large, I think the figures should be more accurate and satisfactory for all concerned if they could be 16 now on the basis of the little I know about it.

Mr. BOWMAN. I think there is merit to that point. And the only thing I could argue is that we do want to know something about the youth problem in particular and of their unemployment.

Senator PROXMIRE. Yes; but I would suggest that maybe we can get that information on 14- and 15-year-olds and keep that separately rather than do as we do now—include them in the work force if they hold an occasional little part-time job or want one.

Mr. BOWMAN. That is certainly a possibility. I would say another thing that we do a lot, and other people can do, is to look at what happens to the unemployment rates for groups about which there are no question, males, 20 to 45. If you want to see the picture of what has happened in this country, you don't have to take the whole thing, just take the rate of unemployment of males 20 to 45. It is all in the data.

Senator PROXMIRE. Married males?

Mr. BOWMAN. That information is published regularly although I don't think we can break them out as to those who have dependents and those who do not have, but we could collect that information, also.

Senator CLARK. Could you tell offhand what percentage of the total labor force is comprised of individuals in the age group 14 and 15?

Mr. BOWMAN. We can get it in a while.

(The following was later received for the record:)

Persons 14 and 15 years of age accounted for 1.6 percent of the civilian labor force, on the average, over the first 11 months of 1961 (inclusion of the December figures would probably not significantly alter this percentage). The percentage was as high as 2.4 percent in July 1961—a seasonal high—and was 1.5 percent in November 1961.

Senator CLARK. Mr. Krock wanted to exclude those who were out of jobs because of having been discharged or just quitting them. First, would it be possible to obtain that figure, and, secondly, if you could obtain it would it be desirable?

Mr. BOWMAN. Well, I think we could obtain it if we wanted to, but that would be a difficult sort of thing to do in a household survey in particular, and it doesn't seem to me that that is a desirable objective for a person who is trying to measure what the unemployment situation is.

Now, we would like, if we possibly could, to develop some better questions with regard to: Is the person really seeking work? what methods he uses to look for work, etc.?

Senator CLARK. Mr. Krock also suggests that part-time workers by preference or those made so by seasonal employment cycles should be excluded.

Do you think that that is a sound suggestion?

Mr. BOWMAN. I didn't get that.

Senator CLARK. Part-time workers by preference or those made so by seasonal employment cycles should be excluded.

Mr. BOWMAN. It seems to me that these are legitimate parts of the American labor market, and such persons should be included to the extent that they are in that market. We do show not only who are employed, but what portion of time they are working, and when we look at the part-time workers, we show two groups—those who are working part time because they want to and those who are working part time because they can't get any more work.

It is all shown separately.

Senator CLARK. Mr. Krock then suggests that those who have found no job offers suitable—putting the word “suitable” in quotes—are supposed to indicate people who really don’t want to work, and should be excluded. What do you think of that?

Mr. BOWMAN. This, of course, is a definite policy issue. I can give you a personal opinion on this. It seems to me that the present policy is appropriate; they should not be excluded.

Senator CLARK. Now, Mr. Bowman, it is true, is it not, that because they compute their figures on a different basis, many Western European countries show lower rates of unemployment than they would show if they used our method of computation?

Would you have any general and perhaps empirical comment as to how significant those differences are? When I was in Sweden this fall, they told me their unemployment rate there in September was about 1½ percent. But the labor attaché in our Embassy told me that even if the Swedish figures were recomputed on our basis, they would still have perhaps only a third of our unemployment.

I believe that to be true in Britain, also.

I wonder if you have any comment as to how much, if at all, we need to discount or adjust Western European unemployment figures to make them comparable with our own?

Mr. BOWMAN. I think we should make more studies in this area. I believe the statements you made, to the best of my knowledge—and I have looked into this—are correct. If they used our methods, they would get more unemployment in Sweden and in the United Kingdom, but they would not have as high a rate of unemployment as we have.

Senator CLARK. And, actually, not nearly as high, would they?

Mr. BOWMAN. I would say perhaps half of what our unemployment rate is.

Senator CLARK. Now, Mr. Bowman, S. 991, which has passed the Senate and is pending in the House, entitled “The Manpower Development and Training Act of 1961,” states that it is—

the purpose of the Act to require the Federal Government to appraise the manpower requirements and resources of the Nation, develop and apply the information and methods needed to deal with the problems of unemployment resulting from automation and technological changes, and other types of persistent unemployment.

It also states in its preamble that—

it is in the national interest that current and prospective manpower shortages be identified and that persons who can be qualified for these positions through education and training be sought out and trained, in order that the Nation may meet the staffing requirements of the struggle for freedom.

In your opinion, are our statistical services presently competent to provide the basic data to enable administrators to carry out the policy of this bill, should it become law?

Mr. BOWMAN. That is a big question—

Senator CLARK. I would expect that they were not entirely so, but that they could be made so with relatively little renovation. Perhaps I am wrong. That is what I want to know.

Mr. BOWMAN. My feeling is that they are the most competent group to do this that you can find anywhere; that they do not have all the resources at their disposal for doing it now; that there will be some

problems in doing it of a technical character under any circumstances; but that there is no reason why it can't be done, given reasonable resources and reasonable time.

Senator CLARK. Now could you state briefly the relationship between the bureau which you head with respect to its functions and responsibilities and the Census Bureau over in Commerce, the BLS in Labor, and the statistics which are used by the Council of Economic Advisers?

I would like to get on the record your place in the hierarchy.

Mr. BOWMAN. I would be glad to do that, Senator.

The Office of Statistical Standards in the Bureau of the Budget is a successor agency to what began as the Central Statistical Board, organized in 1933.

Now it was organized in order that there would be an agency within the Federal Government not to direct, but to act as a staff agency and guide at a high level so that to the extent that we have a decentralized system—and we have quite a decentralized statistical system in this country—the system would be coordinated, budget provisions would be made on an overall Government need basis and not on the basis of individual agencies, and programs would be developed to meet the needs of economic and social analysis and Government policies.

Now our authority comes from two basic sources. One is the General Accounting and Procedures Act of 1950, section 103, which says the President, through the Director of the Bureau of the Budget, is directed to develop programs and to issue regulations and orders for the improved gathering, compiling, analyzing, and disseminating of statistical information—I haven't quoted it exactly.

Secondly, the Congress in 1942 passed an act which is known as the Federal Reports Act. That places the responsibility in my Office of reviewing every request for information which a Government agency may make to 10 or more respondents among the public. So no questionnaire goes out from the Federal Government, with a few exceptions provided by law, that we do not examine to see whether or not this is a duplicate inquiry, whether it could be improved in terms of the information that is requested, and the problems that the respondent will have in trying to answer it.

And in this way we maintain a surveillance over information requests, the manner of requesting them, the technical competence of the questions that are asked, and I think perform a reasonably useful function in this respect.

Now, the Council of Economic Advisers, as distinct from my office, which is in the Bureau of the Budget, is also in the Executive Office of the President. Our functions are different, but we work closely together.

The council is responsible for the development of economic policies for the President. They are therefore interested in having a body of data on which they can base their policies.

The Council of Economic Advisers, Mr. Heller, Mr. Tobin, Mr. Gordon, and I work very close together. They communicate to me many things they need, and I communicate to them the difficulties of doing some of these things. But, in general, we try to program statistics for the Federal Government in line with their needs as well as in line with other needs for a policy purpose.



Senator CLARK. In short, you coordinate the compilation and the evaluation of statistics, and you recommend statistical policy?

Mr. BOWMAN. That is right. And we probably also have some control of the purse.

Senator CLARK. I have just two more questions. The rate of unemployment does not include any factor for part-time unemployment of those who are seeking full-time work. How can one determine what that factor is so it can be added to the rate of unemployment if one wants to do so?

Mr. BOWMAN. Well, I think there are various ways of doing so. But there are no unequivocal ways.

The difficulty, as I see it, is this: We know the people who have part-time employment, and we know the ones who have part-time employment and want more, but we do not know how much more. We can assume they want full employment, or we can assume they want the same number of hours of employment as the average number of hours of employed people generally. But we do not positively know what amount of employment it is that they want.

Then among the unemployed a question could be raised as to whether or not some of the unemployed are really only partially unemployed, not all the unemployed want full-time work. These problems, I think an analyst can wrestle with, but we have hesitated, and we have written a memorandum to this committee on the question of putting out an official series entitled "Full-time equivalent unemployment."

Senator CLARK. I think it would be very helpful. If we are going to try to evaluate the economic loss resulting from people who want work and can't find it, that factor should be included, should it not?

Mr. BOWMAN. It is an important consideration.

Senator PROXMIER. If the Senator will yield at that point, why can't we just have an occasional sample to determine if we can whether or not most of these people—I would guess that a very large proportion of those who have part-time employment and want more would want full-time—but have a kind of occasional sample in the field conducted by competent people should give us the information with reasonable accuracy at minimum cost.

Mr. BOWMAN. It may not have to be conducted all the time, one sample might tell us a lot; that is certainly a possibility.

Senator CLARK. My final question, Mr. Bowman, is why don't you publish State unemployment figures? They are available, and would be very useful to me and a number of others.

Mr. BOWMAN. They are not available from our sample.

Senator CLARK. No, but they come in to you from all over the country. You have got the Pennsylvania figures.

Mr. BOWMAN. You have got Pennsylvania unemployment figures, and you have also some estimates which are made by the unemployment agency in Pennsylvania, utilizing methods that have been developed.

Senator CLARK. That is right.

Mr. BOWMAN. And this is being extended by the State employment security agencies cooperating with the Labor Department, and it is hoped that we will have estimates of unemployment for every State as we now have for 150 metropolitan areas.

But I do want to make a point here that I think some people misunderstand. Our 35,000 household sample cannot provide total employment and unemployment estimates by States.

Senator CLARK. I am not talking about that, and I agree with you. But in your statement you say there are about 30 States which make estimates of total unemployment for the State as a whole, and they would be awfully valuable to my committee, and I should think they would be helpful to you, Senator Proxmire, too.

I wish you would publish them.

Will you give that some thought? Don't just turn us down now.

Mr. BOWMAN. I know what your problem is. We have 30 States, and we can't evaluate these estimates yet, until we can get all the States and aggregate them to see how they compare with the figures we have for the United States as a whole. That is one of our problems.

The other is, we are going to run a survey in one or two areas. We are going to run the same kind of survey as we have for the United States, to see how the estimates and the survey technique compare.

Representative WIDNALL. Mr. Bowman, isn't the most important figure on all of these analyses the longtime unemployed, with long duration, the hard core people that have to have help?

Mr. BOWMAN. Important for certain purposes, namely, the purpose of knowing where attention ought to be given, because of the significance and need that may be occasioned by longtime unemployment. But I think it is equally important to know what amount of unused resources this country has in the form of manpower if we are to stimulate economic growth to the point where we would like it to be.

Representative WIDNALL. Doesn't your survey indicate—do you have enough information to show why they have been unemployed that long, whether it has been because of a change in the economy of the area?

Mr. BOWMAN. We do not have enough information to show areas.

Representative WIDNALL. Because of age, refusals on jobs, and things like that?

Mr. BOWMAN. We do not have enough information now, but these studies are trying to get additional information which will help us understand reasons for long-term unemployment.

Representative WIDNALL. Of course, if we can have that then Congress can direct its attention to the areas that really need the help.

Senator CLARK. Mr. Bowman, I want to compliment you on a very helpful presentation. It has been of great help to me, and I am sure it will be to the committee.

Mr. BOWMAN. Thank you very much.

Senator PROXMIRE. Once again I want to apologize for detaining you. I think it is elementary, but this goes right back to the heart of what may be a problem with your enumerators on this point. I asked Mr. Clague, and he had Miss Bancroft answer the question which has been raised by Mr. Daniel in his article when he said, "The enumerators come around and ask a few questions, 'How many people want a job?'" and I said, "Is that the question that is asked by the enumerators?"

And Miss Bancroft said, "No, it is not."

I said, "What question—is there a specific question that is required to be asked?"

Miss BANCROFT. For each person 14 years and over in the household, the enumerator asks, first, what was this person doing most of last week? Working, keeping house, or something else?

If it is a teenager, the enumerator would say, "Going to school or something else"?

If the person responds that the person was working, then the enumerator goes forward and asks how many hours he worked and what his job description is.

For all those people who were not reported as working and are not reported as totally unable to work, the enumerator then asks for each one individually did he do any work at all last week, not counting work around the house.

If the answer to that is "No," the enumerator then asks, "Was he looking for work"? That is the question, not this question of how many people want work. The phrase "wanting to work" is not asked at all.

And then later I asked this:

The crucial question that you ask "Were you seeking work?" do they accept "yes" or "no" or do they go further and say, "Are you registered at the employment office?" Or, "Did you apply at more than one employer's office to try to find a job?" Or do you just ask a general question, "Are you seeking work?"

Miss BANCROFT. In the regular survey the enumerators ask was he looking for work and do not go any further unless the respondent raises a question, "Well, I did so and so. Do you count this as looking for work?"

But we have made checks from time to time in the past and asked people who were reported as looking for work what they actually did, and in all, the vast majority of cases, they list one or more activities that are defined as looking for work.

Senator PROXMIRE. Why don't you ask them what they did?

Miss BANCROFT. Well, it is a question of cost and time really as to how many questions you can ask.

Senator PROXMIRE. This is such a crucial question through this whole thing that if a person might say that he is looking for work and you found he did nothing or he cannot think of anything he did, that is one thing; on the other hand, if he is looking for work, I should think it would be easy for him to say that he went down to the foundry and talked to the personnel officer and got no job or he went to the personnel office and looked to see if there was work.

I should think a specific act would be very easy for a respondent to describe and would be so crucial for the validity of the statistics, that it would normally be asked.

Miss BANCROFT. I believe we would have done that if, in our checking, we had not found that there was a very little, practically a negligible, amount of claiming to have looked for work without any real activity.

I still feel strongly that if he was looking for work he could have done something, consulted advertisements in the paper or gone down to the unemployment office.

Mr. BOWMAN. Yes. This is an area in which we would like to do some experimental work and ask questions. But I think it is a difficult area. But in our experience to date—I thought Miss Bancroft would have commented on this—we think more people might be added to unemployment than we think should be, if you press the question by saying, "Did you do anything to look for a job last week?"

Senator PROXMIRE. I don't want to go too far; I don't want to lead the witness. But it seems to me that as long as you are asking the question, "Were you looking for work?" you can say, "How did you look for work?" or "What did you do to look for work?"

Mr. BOWMAN. Now there is a question that follows up on that. What you accept as satisfactory, if the person said, "I read the ads in the newspaper," or "I wrote letters in answer to ads," or "I registered at the unemployment office," or "My father was trying to get me a job"—there is still the problem of the criteria that you are going to accept on whether he really did look or not.

Senator PROXMIRE. We have to have in mind, as certainly the people who appraise what the enumerators have done do, what criteria we must adopt. And there is no question that if a person is registered at an unemployment office or anything like that, then he is unemployed. And if he says a relative was looking for a job for him, or somebody else who is looking for work for him, as far as I am concerned, he is not looking for work.

Mr. BOWMAN. In my paper I make this statement, that this is an area in which we should do some experimental examination of the questions. I don't want to commit myself as to whether we would improve anything. My own guess is that probably we wouldn't, but it might be a better way of doing it.

Senator PROXMIRE. Mr. Bowman, I want to say that this has been very, very illuminating and helpful and constructive. You have been before this committee, I know, often before. And it is always a great pleasure to have you, a great help. Thank you very much.

Mr. Widnall asked, is a person counted as looking for work if he writes his Congressman or Senator and asks him to get him a job.

Mr. BOWMAN. You have to decide that.

Senator PROXMIRE. That would increase the number in my State, I can tell you that.

Our next witness is Mr. Eggert.

Mr. Eggert, we are very pleased and happy to have you.

Mr. Eggert is chairman of the Federal Statistics Users' Conference. And I believe you are an economist for the Ford Motor Co.

Mr. EGGERT. Yes.

Senator PROXMIRE. And I want to apologize from the heart for having detained you so long. It happened that Mr. Bowman was such a fascinating witness that we took a long time. But we are delighted to have you, and we are happy that you represent this organization that has been useful to our committee.

Mr. Eggert.

**STATEMENT OF ROBERT J. EGGERT, TRUSTEE, FEDERAL STATISTICS USERS' CONFERENCE, ACCOMPANIED BY ROY L. LOWRY, EXECUTIVE SECRETARY**

Mr. EGGERT. I share your views about Mr. Bowman's testimony being helpful, and I find it interesting to look at.

I would like to introduce Roy L. Lowry, who is executive secretary of the Federal Users' Conference.

I appear here in response to your kind invitation, and I might say I want to express our appreciation. We appreciate the opportunity of meeting with you here today. I do not speak for my employer, the Ford Motor Co., or for any individual firm, labor, farm, or non-profit research organization. I do speak for the Federal Statistics Users' Conference, an organization of users of Federal statistics which includes members from each of these groups. My testimony reflects

a consensus of user views as derived from roundtable discussions, from questionnaires to FSUC members and from the work of FSUC committees.

The Federal Statistics Users' Conference has always had an interest in improving Federal statistics on employment and unemployment.

In 1958 Ewan Clague, Commissioner of Labor Statistics, addressed our annual meeting and gave special attention to this subject.

In the spring of 1959 FSUC held a special conference on employment and unemployment statistics to encourage the Bureau of Labor Statistics to improve both the timeliness and usefulness of its monthly releases, and some action was taken, as a result of that.

A roundtable discussion at the conference's 1960 annual meeting considered the statistical improvements required to meet the need for information on the labor force in the 1960's.

The conference's "Long-Range Program for the Improvement of Federal Construction Statistics," released in 1959 after a prolonged review of user needs, contained a special section on the need to improve data relating to employment in the construction industry.

The conference's "Long-Range Program for the Improvement of Federal Statistics," released in 1961, included a special section on manpower statistics. I think the attention of this committee has been called to that.

Senator PROXMIRE. I notice that you say that all these groups are representative, you have labor, farm, and business people who attend your meetings and who are active in formulating—

Mr. EGGERT. Yes, this is a nonprofit organization. Those four groups—labor, farm, business, and nonprofit organizations—are all well represented on our board of trustees, in our committees, and in our meetings.

Senator PROXMIRE. Nonprofit includes educational institutions? And economists and others from those institutions?

Mr. LOWRY. Not educational institutions, but organizations like the National Planning Association and the Committee for Economic Development, which would include the Associated University Bureaus of Business and Economic Research, and then such institutions as Standard Research Institute.

Mr. EGGERT. Our chairman is from the Committee for Economic Development.

Senator PROXMIRE. Has there been any demand by educational institutions for membership? I think that these other nonprofit institutions are pretty good substitutes, but they use statistics very widely, and they are very competent people.

Mr. LOWRY. We would be delighted to have them.

Mr. EGGERT. We have a group that represents the business schools and colleges who have shown some interest in becoming a member, and they are certainly welcome. And, of course, each of the individual schools would be most welcome to become members. We tried to represent the complete viewpoint of all users, but with a sincere effort to improve statistics.

The conference's "Long-Range Program for the Improvement of Federal Statistics," released in 1961, included a special section on manpower statistics. This section listed priority needs for improvement in employment and unemployment statistics as well as other needed changes and additions to existing data on the labor force.

## CONCEPTS EMPLOYED

As social and economic concepts, "labor force," "employment," and "unemployment" may be defined in different ways according to individual viewpoints, preferences, needs, and interests. Measurements of these phenomena depend on definitions upon which there may never be complete agreement. The definitions currently used by the Bureau of the Census and the Bureau of Labor Statistics are the result of three decades of continuous public and professional discussion. They embody the most competent professional judgments throughout that period, to provide statistical data adapted to the American economy and serving a maximum number of data needs by the American public. When excusable differences in opinion are magnified into attacks upon the integrity of the Bureaus named, such attacks must be deeply deplored by the FSUC and by all other intelligent and informed persons.

On September 15, I, as chairman of the Federal Statistics Users' Conference, addressed a letter to the Reader's Digest in connection with Mr. Daniel's article, and we made our position very clear that this was not factually accurate in many areas, and we felt that this was not the correct—

Senator PROXMIRE. It was an excellent letter. I put it in the Congressional Record.

Mr. EGGERT. I recall you did.

Senator PROXMIRE. Two days ago I put it into the record of the hearings at the time Mr. Clague appeared. It was a very fine, responsible statement.

Mr. EGGERT. Thank you.

The recent criticism of employment and unemployment statistics is a part of this continuous discussion which has gone on for three decades. The attacks on the present data may be of value if they bring about a more thoughtful consideration of the concepts of "labor force," "employment," and "unemployment" and of the kind of statistical information needed and likely to be needed about the labor force during the next decade.

In the course of this discussion it is well for all users of unemployment statistics to bear in mind some cautionary words spoken by Mr. Clague at FSUC's second annual meeting on September 24, 1958:

I might say at the outset that one of the real problems in the field of statistics during this recession year was not primarily statistical. It was a matter of educating people away from the idea that there are such things as magic figures. There is always a danger that experienced observers, as well as ordinary laymen, will tend to establish in their minds figures or ceilings which would be the automatic signal for a change in public policy without regard to what was happening to the rest of the economy. Fortunately, the general public is coming to realize that no one figure can be a magic wand, and that a wide variety of facts must be taken into account before basic policy decisions can be made.

I know the Council of Economic Advisers and others know that a wide variety of facts must be recognized.

Vast amounts of time were spent by topnotch reporters and others attempting to get figures, such as unemployment, a day or two before their official release. I think there needs to be continuous emphasis of the fact that our highly diversified economy does not move with extreme rapidity in any direction except

under war or emergency conditions. It is, therefore, better to wait a day, or a week, to get figures which can be analyzed and understood in the context of the whole economy than to attempt to jump the gun with a global figure with all its statistical and analytical limitations.

We certainly share his views here.

The present concepts of employed and unemployed persons are sound and workable. It would be undesirable to shift to the less comprehensive measures of insured employment and unemployment. In the United States a significant part of the labor force is not covered by unemployment insurance. Moreover, the public employment service does not have the monopoly or near monopoly position which is held by the labor exchanges in many European countries. This means unemployment data based on registrants at public employment services in the United States would understate the number of jobless seeking work. And this is not a substitute for the kind of data that we have from the Census and BLS.

#### UNEMPLOYMENT AND NEED

Much of the recent criticism of unemployment statistics focuses on the question of the "need" for employment. For example, it is said that housewives who take part-time employment don't "need" to work; that students who get summer employment don't "need" to work if their parents can support them; that older persons with social security or other benefits don't "need" to work, and so on. The word "need" seems to be coming up in a lot of these statements.

To introduce the concept of "need" into unemployment statistics would be to introduce a subjective factor which has no business in the measurement of the size of the labor force and the extent to which it is being used. Neither the Bureau of Labor Statistics nor any other statistical agency should be charged with the responsibility of deflating unemployment statistics by adjusting for an ill-defined "no-need" group. Such an adjustment would always be controversial and would almost certainly compromise the Bureau's reputation for objectivity. We think this would be a series backward step.

All users recognize that there is a relationship between hardship and unemployment. Indeed, unemployment statistics got their start in this country because of the continuing mass unemployment of the 1930's, as Mr. Bowman emphasized. When over 17 percent of the labor force was unemployed, the relation of need to unemployment was clear, and the basic information required was relatively simple. Public interest was focused on changes in the total number of person without jobs.

The same kind of rough, and I emphasize the word "rough," indication of need can still be found in the global totals of employed persons just as in the early days of Federal unemployment statistics. When the seasonally adjusted rate of unemployment rises from around 4 percent to around 7 percent, there is at least a *prima facie* case that there is an increased "need" for employment. In other words, that big a change makes clear that there are some differences in need.

Users, who, for purposes of analysis, wish to eliminate one or more groups from the total number of reported unemployed have a wide latitude for doing so within the framework of the existing data. Indeed, the need for paying closer attention to the detailed characteristics of the unemployed is likely to become increasingly important. Users should be encouraged to rely less on the aggregate number of unemployed and to pay more attention to its composition. The suggestion here earlier as to the 14- and 15-year-old group is very appropriate. There are data available to break down how many employed and unemployed there are in that group.

#### MANPOWER PROBLEMS OF THE 1960'S AND STATISTICS

The problems associated with the utilization of the Nation's manpower which confront us today and are likely to confront us in the decade ahead require a more sophisticated body of information than was adequate to meet the needs of the pre-World War II period.

The developments which will most likely contribute to the problems of the 1960's have been outlined in many places during the last few years. The outline presented by Secretary Mitchell before the House Appropriations Committee in 1960 is a reasonable compilation for purposes of discussion. Secretary Mitchell made the following points:

(1) The labor force will grow by 20 percent (13.5 million) between 1960 and 1970.

(2) The biggest increase will be in young workers (6.4 million).

(3) A greater proportion of our labor force will be over 45 years of age.

(4) Of the increase in the labor force, 6 million will be women.

(5) Employment will grow faster in the service industries than in production. This is a trend that has been going on for quite a period, and it is certainly going to continue.

(6) The kinds of jobs industry will need workers for will also change. The biggest increases will come in jobs which require the most education and training.

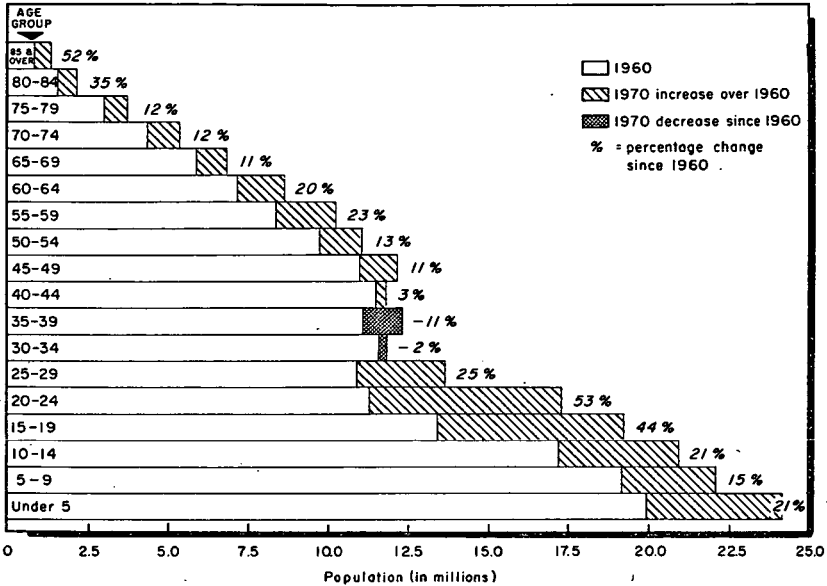
(7) The number of part-time workers will increase substantially.

Senator, I would like to introduce in the record a chart that we have prepared that shows the increase in population by age groups between 1960 and 1970. And I call your attention to the age group 20 to 24, which is a big group, and which will go up 53 percent in the next 10 years. And this is almost a certainty, the exact percentage may vary, but it will be over a 50-percent increase in the 20 to 24 age group.



(The chart referred to follows:)

**POPULATION COUNT AND PERCENTAGE CHANGE BY AGE GROUPS  
1960 to 1970**



SOURCE: U.S. BUREAU OF CENSUS ESTIMATES (SERIES 11)

FORD DIVISION  
FORD MOTOR COMPANY

MARKETING RESEARCH  
NOVEMBER, 1961

Senator CLARK. You can be pretty sure about that, because they are already born, and they are coming along. And the schools have already felt this, and the labor force will feel it. Now, in my own non-professional opinion, and I think the evidence will support it, the needs of these people for goods will more than offset their impact on labor.

Senator PROXMIRE. That is a very interesting observation. It is something that I feel we tend to overlook. It is very, very difficult to evaluate. But I would contend that once a person goes to work and gets a job he becomes a far more important consuming unit than when he lives with his family before he goes to work. And he is a more important consuming unit when he is looking for a job than when he is not.

Mr. EGGERT. The consumer research studies have shown that they use more goods.

Senator PROXMIRE. That is right.

Some of these people are buying homes that they will be paying for for the next 30 years or so.

Mr. EGGERT. That is right. And this is one of the most helpful signs, that these people will be using goods and services in sufficient quantity so that it will help our overall situation to some extent. There may be offsetting factors, but this is one of the most helpful signs.

Senator CLARK. Particularly with the women. You are getting a large number of new household units organized because of matrimony, and that again creates additional needs, when you have separate household units.

Mr. EGGERT. Exactly, Senator.

Senator PROXMIRE. This is one of the things that maybe we can get more information on, because we must also recognize that a person who is obviously not working is a consumer too, and there is no question that he consumes more than he produces, since he produces nothing and he obviously consumes something. But a person who becomes a producer, while he is a more important consumer, the chances are that there would be a tendency for the overproduction problems of our society to be increased.

Mr. EGGERT. Yes, although the point I am trying to make is that the needs of these are different, they use houses, they use food and clothing as teenagers, but as they get married and form families their needs for durable goods, their needs for automobiles, and their needs for housing will become greater.

Senator PROXMIRE. I don't see how you can say, unless you base it almost entirely on housing, I don't see how you can make a statement that they will create more demand than they will provide, if that is what you meant to imply, than they will provide the production to satisfy the demand.

Mr. EGGERT. Except that they are very heavy users of credit, and to the extent that they use credit—

Senator PROXMIRE. If they buy a house they are going to use credit for a long time. But over a 1- or 2-year period it won't make much difference.

Mr. EGGERT. That will come in this period of the next 10 years.

Senator PROXMIRE. Nevertheless, one of the aspects of our society now has given us a kind of production that we have, and what keeps our unemployment from getting even higher is that we have such a terrific number of children who are going to come into the work force who, though now consumers, are not producers, will be heavier consumers when they come into the work force.

Mr. EGGERT. I believe that kind of equation has received less—

Senator PROXMIRE. I believe it should receive more attention than it has gotten, but there is a tendency for the producer to produce more than he can consume, and as he leaves this category of strictly a consumer and gets into the producing category, our problems increase.

Mr. EGGERT. Now, the kind of information needed, data now produced on employment and unemployment will continue to be needed,

but they will not be adequate to meet the minimum requirements for the 1960's.

More detailed information on the characteristics of the employed and unemployed will be needed. Only with comparable information can there be a proper understanding as to which characteristics of the unemployed are significant. More intensive use of existing materials can produce a great deal of this information.

And again this is a point that was emphasized in the earlier discussion. We did have the information available now, but we need a great deal more knowledge of factual information.

Senator PROXMIER. This is a thing that concerns me very much. We just don't know, though, we generalize a lot but we don't know exactly what is the problem of the unemployed, the extent to which they are educable, the extent to which we can provide training in the skills, the extent to which the skills can be properly utilized.

We hear all kinds of reports. I have a report from Milwaukee, for example, that they have not used vocational money with which they are able to take people who are on relief and give them educational training for a matter of weeks and get them a job.

Now, this is the kind of generalization I would like to explore, but which we don't know enough about. And there is a great deal more we have to know, not only about the jobs themselves, but we have to know a great deal more about the people, are they willing to do this, are they physically able, can they support themselves and their families while they are doing it. It is the kind of information that we don't have that we have to get and it might be very expensive to get it, but it is the kind of thing that will give us a competent and sensible solution on our unemployment problem.

Mr. EGGERT. We share your view on the need for additional detail, but we also wish to submit that a great amount of detail that is available now is not being effectively utilized, for example the unemployment figure of the 14- and 15-year-old group is available. It is published once a year.

Senator PROXMIER. The point I am making is not that it is not available. I said that there is some question as to whether the 14- or 15-year-old group is available, it should be available, but maybe it should be available outside of the unemployment and employment categories.

Mr. KNOWLES. If I may continue this discussion, the first activity that the committee assigned to its staff and organized after the Employment Act of 1946 became effective was to prepare a report on current gaps in our statistical knowledge, which has since become known as "Statistical Gaps," one of the famous documents in statistics, which among other things stated that one of the deficiencies of our employment and unemployment statistics was that they failed to provide sufficient information on the occupation and other characteristics of the unemployed.

This was followed up in the first report of this subcommittee, and it is amazing how much detail that has produced. And I would agree with Mr. Eggert that one of the problems that we have mastered in the ensuing 13 years is to produce a lot of information that a lot of people haven't used after we have prepared it.

Senator PROXMIRE. But a lot of information that Mr. Bowman listed he said they were going to make a study on, but they have not made it yet.

Mr. KNOWLES. Some of it, the reason that it is not now available is, perhaps, in considerable part—I hesitate to say this considering which side of this table I am sitting on—but I am afraid it was because they couldn't get the money. It was recommended by this committee many times in the past, I am sure some other committees have done so too, but it has not been done because the agencies have not received the money that it takes to add this kind of information onto the very detailed occupational, industrial, educational, and other characteristics which we do now get. We get amazing amount of information. And to add this other, which is needed, and which we have asked for, does cost additional funds.

The reason we haven't had it so far is that up until 1961 we didn't get the money.

Senator CLARK. Let me ask whether there is any gap in the authorizing legislation, or whether money is the whole problem.

Mr. KNOWLES. So far as I am aware, and I believe my statement is correct, the only problem that I know of has been money. I do not know of any provision which would have to be made in the law. The agency is established and authorized to collect statistics in this area, and the limits to which they can use the funds are determined by what the appropriation says they can use it for, and how much they are provided with. I am not a lawyer, but my understanding is that that is the case.

Senator PROXMIRE. That is why I asked Mr. Bowman, and he wasn't able to tell me how much money was being spent for unemployment statistics. He said he could get it for the committee.

Mr. EGGERT. Somewhere between 2 and 2½ million.

Senator PROXMIRE. He had a rough figure, but he said he couldn't pin it down because it was for other purposes; he would have to get some kind of an allocation. And I am sure that if somebody comes up like Mr. Bowman or others and tells the Congress that they can secure this kind of information and reasonable cost, and it is going to be helpful in solving unemployment problems, we won't have any trouble getting the money.

Mr. LOWRY. Mr. Chairman, insofar as that amount which is spent by the Bureau of the Census is concerned, that figure can be readily obtained. That is the amount that is spent for the monthly report of the labor force as derived from the current population survey. That can be found, I believe, both in the budget document, under the Bureau of Labor Statistics, and under the Bureau of the Census, because the amount that is transferred for this purpose is set out there in a one-line item. I don't recall the amount, but it is set out there.

Senator PROXMIRE. Yes. But the other part was not available. Mr. Bowman made an estimate that for the Department of Labor, for example, it would be something over \$1 million.

Mr. LOWRY. I think it is in excess of \$1 million for that portion of the current population survey which is devoted to the monthly report of the labor force; that is both employment and unemployment.

Senator PROXMIRE. He still wasn't able to give us the total figure without further consideration.

Mr. EGGERT. In introducing this next paragraph, Mr. Chairman, I can say the Federal Statistics Users Conference has supported the need for additional requirements, money requirements, in many areas. These five projects have been started by BLS, and have received the support of the conference in terms of needing additional money.

Five projects for which money was appropriated this year will seek to develop detailed information on the family employment status, work experience, and health of the unemployed, data on the kinds of jobs they are seeking and some information on the number of persons changing jobs, reasons for the change, and the kind of jobs they obtain.

Now, these are many of the special questions, I believe, that were included in the earlier discussion.

One study will match the household survey responses with unemployment insurance records to find out what proportion of the unemployed receive unemployment insurance benefits. Finally, one area of persistent labor surplus will be surveyed to relate household survey data to unemployment estimates of the Bureau of Employment Security.

This is a study which would be of interest.

This is expected to yield some information on the attachment of inactive workers to the labor force. Serious consideration should be given to additional kinds of characteristic information needed and the frequency with which it should be provided.

We have both an information and a timing problem here. How much do you need this additional data? Quite often annually should be enough for great detail. You wouldn't need it every month, but annually, or maybe every other year.

A second sample of the current population survey would make it possible to develop many cross tabulations not now being produced because of lack of reliability.

This would of course require substantial additional funds, but there would be some additional cross-tabs. Some of these can be obtained by adding the data for 2 or 3 months together. You don't have the current information available then, but at least you can get many additional cross-tabs through this process.

With the use of the social security numbers of the persons in the sample, it should be possible to tie household survey data to employer-reported data and also to economic data reported by the employing industry. In short, imaginative efforts to fully exploit existing data might yield entirely new kinds of information relating to the characteristics of the employed and unemployed and to the characteristics of the industries for which they work or formerly worked without requiring a large number of new surveys.

For example, it should be possible to obtain some useful ideas on employment and unemployment by households—and this, I think, is a very important point—on how many unemployed persons are from households where there is only one member of the labor force, how many are from two-worker households, et cetera.

It should also be possible to develop better information on unemployment by industry. And it should be possible to develop better geographic detail on employment and unemployment than is currently available.

Senator PROXMIRE. Don't you feel that if we just got the figures on the number of employed persons in each household it might be very badly misinterpreted? They will say, well, a lot of the unemployed just came from a home that said, we have already got a worker. Well, if that worker is working he might have been working at \$40 or \$50 a week; that it totally unsatisfactory. Or maybe he was not even covered by the minimum wage and earned \$25 to \$30, or maybe he is working part time.

So what you need is an income factor of some kind relating to this thing so that you can have some evaluation of the need.

Mr. EGGERT. On the income of the household.

Senator PROXMIRE. Rather than the situation where you have the wife of an executive or a person who has a highly skilled job. He has a good income. His wife just likes to work so that she can buy luxuries.

Mr. EGGERT. That is right. You need additional information on income; we would agree on that, Senator, And we would also say that the ability to measure the change in the business cycle, this information by household, would be very helpful in seeing whether people were coming in or going out within a household, coming in or going out of the labor force.

For example, around Detroit quite often when the auto industry is down and there is unemployment, the women of the household come into the labor force, because their husbands are laid off. Well, this would be useful knowledge to have, then, as to how many households suddenly added a person seeking employment, a woman, and being able to measure that statistic, and then the same way when the man got a job, these women tend to drop out of the labor force, and it would be useful information from the standpoint of measuring cyclical changes to have that kind of detail.

Senator PROXMIRE. As a user I should think it would be extremely useful for the Ford Motor Co. and American Motors and other companies to know what kind of a pool of labor you really have in an area.

Mr. EGGERT. Exactly.

Senator PROXMIRE. You may have your own statistics, but these could go out of use if you are a going company or are putting in a new plant, or something of that sort.

Mr. EGGERT. We recognized the need for that kind of information in our report.

Senator PROXMIRE. From the political standpoint it might be desirable to make it by congressional districts.

Mr. EGGERT. Or maybe by counties.

Senator PROXMIRE. Of course, from a statistical user's standpoint, it is the metropolitan area.

Mr. EGGERT. Exactly.

Senator PROXMIRE. And that is also very desirable, in view of the administration of some of our laws, which apply contracts, and so forth, on this basis.

Senator CLARK. Quite seriously, I think in terms of getting adequate legislative support for the subsidy legislation which ought to be enacted during the next decade, it would be very valuable to have this broken down by congressional districts as well as by States, and I don't think we need to be ashamed of it at all. I think it is information that every Congressman ought to have and ought to want.

Mr. EGGERT. Certainly by metropolitan area—we follow our own State records—Ford has it summarized by each of the 60 metropolitan areas of the country, and we would like to correlate the employment and unemployment with the specific metropolitan area.

Senator PROXMIER. And also with respect to plants as you have them around the country.

Mr. EGGERT. That is right.

With the expected continued grow of the service industries, the development of more adequate information on employment and earnings in this important area should be a high-priority item on any list of developments.

There is a need to continue active efforts to develop current employment information by occupation. Existing data are presented in broad categories which have limited usefulness. Exploratory work in this area should reexamine the occupation classification system to determine whether it reflects contemporary needs.

Given the expected continuation of economic growth, technological progress and the expected change in the kinds of jobs which will be offered, there is a danger that there may be times when there will be both an unhappy degree of unemployment and evidence of a considerable number of unfilled job vacancies. Some comparison of relevant characteristics of the unemployed and characteristics of vacant jobs is needed. Attempts to measure vacancies have been unsuccessful in the past, but it would be worth exploring this field again. And we certainly endorse further effort to try to seek out the job vacancy side of this category.

Senator CLARK. In that connection, this is a suggestion that it is none of my business to make, but you might want to explore the desirability of getting some educators in your association, particularly those who deal directly with guidance counseling, and problems of that sort, placement officers.

Mr. EGGERT. That is a very good suggestion.

Perhaps an indication of the kinds of jobs filled in the "new hires" reported by employers might be a way of getting at least an indirect indicator of the kinds of vacancies being filled.

When we talk about job-expanding industry, Senator, I would like to introduce into the record two pages from the current Survey of Current Business, which lists the industries which have expanded very rapidly, and then those that have not expanded as rapidly, and some that have actually declined.

(The material referred to follows:)

TABLE 1.—Production of selected products and services, 1948, 1958–60

RAPIDLY GROWING—INCREASES AT AN AVERAGE ANNUAL RATE OF  
7½ PERCENT OR MORE

Product or service	Unit of measure	Production			
		1948	1958	1959	1960
<b>30 percent and over:</b>					
Helicopter passenger-miles.....	Thousand miles.....	1 26	4, 885	7, 477	9, 475
Transistors.....	Thousand.....	* 1, 318	47, 051	82, 294	127, 928
Heat pumps.....	Number.....	* 1, 000	25, 500	40, 900	48, 300
Titanium sponge.....	Ton.....	10	4, 585	3, 898	5, 311
Air conditioners, automotive.....	Thousand.....	160	443	607	710
Polyethylene.....	Million pounds.....	19	865	1, 195	1, 337
Power brakes.....	Thousand.....	* 114	1, 263	1, 573	1, 659
Power steering.....	do.....	* 200	1, 817	2, 236	2, 552
<b>20 to 30 percent:</b>					
Dehumidifiers.....	do.....	* 25	210	345	410
Air conditioners, room.....	do.....	74	1, 673	1, 660	1, 521
Argon.....	Million cubic feet.....	30	377	499	570
Recorders, magnetic.....	Thousand.....	* 27	400	400	425
Air-conditioning systems, residential.....	do.....	141	124	167	187
Rubber or latex core mattresses.....	do.....	* 34	643	630	608
Carpets and rugs, tufted-type.....	Million square yards.....	* 21	114	133	152
Driers.....	Thousand.....	92	1, 204	1, 382	1, 238
Fibers, synthetic, excluding rayon.....	Million pounds.....	75	694	793	856
Antibiotics.....	Thousand pounds.....	240	2, 612	2, 295	2, 769
Phonographs, single.....	Thousand.....	351	3, 212	3, 475	4, 000
Fibers, synthetic, excluding rayon, consumption.....	Million pounds.....	72	575	741	781
Helium.....	Million cubic feet.....	51	334	477	642
Lawnmowers, power.....	Thousand.....	397	3, 452	4, 200	3, 800
Ice-making machines.....	Number.....	5, 900	31, 100	40, 700	59, 100
<b>15 to 20 percent:</b>					
DDT.....	Million pounds.....	20	145	157	164
Coffee makers, automatic.....	Thousand.....	600	4, 250	4, 750	4, 875
Picture tubes, sales.....	do.....	1, 309	8, 252	9, 523	9, 014
Styrene plastics and resins.....	Million pounds.....	165	763	977	1, 062
Television sets, black and white.....	Thousand.....	975	4, 920	6, 349	5, 708
Polyvinyl resins, plastics.....	Million pounds.....	218	869	1, 166	1, 190
<b>10 to 15 percent:</b>					
Blankets, electric.....	Thousand.....	675	2, 420	3, 300	3, 540
Phosphoric acid.....	Thousand short tons.....	432	1, 709	1, 881	2, 086
Frozen foods.....	Million pounds.....	1, 347	5, 085	5, 948	6, 441
Jet fuel.....	Million barrels.....	136	74	93	89
Xylene.....	Million gallons.....	61	200	241	282
Vitamins.....	Thousand pounds.....	2, 566	9, 763	10, 845	11, 063
Air revenue passenger-miles.....	Million miles.....	7, 670	28, 522	32, 400	33, 800
Plastics and resin materials.....	Million pounds.....	1, 485	4, 659	6, 021	6, 140
Disposals, food.....	Thousands.....	175	616	789	760
Magnesium.....	Thousand short tons.....	10	30	31	40
Shavers.....	Thousands.....	1, 650	6, 400	6, 150	5, 950
Plasticizers.....	Million pounds.....	148	418	539	602
Ethylene glycol.....	Thousand pounds.....	367	1, 145	1, 215	1, 299
Oxygen.....	Billion cubic feet.....	16	36	45	58
Ammonia, synthetic anhydrous.....	Thousand short tons.....	1, 375	3, 879	4, 520	4, 812
Skirts, separate.....	Millions.....	35	86	101	123
Transparent films for packaging.....	Million pounds.....	205	627	682	706
Automatic transmissions.....	Thousands.....	* 1, 270	3, 318	4, 215	4, 309
Aluminum, primary ingot.....	Thousand short tons.....	623	1, 566	1, 954	2, 014
Paper milk containers.....	Million cartons.....	5, 014	14, 800	15, 900	16, 000
Effer vescent wines, withdrawals.....	Thousand wine gallons.....	1, 063	2, 502	3, 061	3, 380
Gasoline engines, excluding out-board, automotive, and aircraft.....	Thousands.....	* 2, 140	5, 756	7, 181	7, 003
<b>7½ to 10 percent:</b>					
Perchloroethylene.....	Million pounds.....	68	187	203	209
Pentaerythritol.....	do.....	21	52	64	64
Air ton-miles flown.....	Million miles.....	123	579	646	674
Nitric acid.....	Thousand short tons.....	1, 133	2, 704	3, 074	3, 317
Rubber, synthetic, all types.....	Thousand long tons.....	488	1, 055	1, 380	1, 436
Butadiene.....	Million gallons.....	661	1, 465	1, 816	1, 883
Aircraft, civilian, airframe weight.....	Million pounds.....	10	17	23	28
Chlorine gas.....	Thousand short tons.....	1, 640	3, 605	4, 287	4, 587
Formaldehyde.....	Million pounds.....	617	1, 358	1, 750	1, 698
Urea and melamine resins.....	do.....	149	349	424	399
Vending machines.....	Thousands.....	* 428	474	524	644
Phenol, natural and synthetic.....	Million pounds.....	297	506	692	773
Motortruck transportation.....	Billion ton-miles.....	116	256	288	294
Electric power, total.....	Billion kilowatt-hours.....	337	725	795	840
Air-conditioning systems, commercial.....	Thousands.....	38	81	99	104

See footnotes at end of table, p. 328.



TABLE 1.—Production of selected products and services, 1948, 1958–60—Continued

Product or service	Unit of measure	Production			
		1948	1958	1959	1960
<b>7½ to 10 percent—Continued</b>					
Dishwashers, motor-driven.....	Thousands.....	225	425	547	555
Natural gas, marketed.....	Billion cubic feet.....	5, 148	11, 300	12, 046	12, 692
A viation gasoline.....	Million barrels.....	46	122	124	114
Benzene, chemical and motor grade.....	Million gallons.....	184	287	347	456
Helicopters, nonmilitary.....	Number.....	71	186	179	172
Trousers, separate, dress and sport.....	Thousands.....	37, 700	73, 405	89, 190	92, 705
Merchant ship construction, deliveries.....	Thousand gross tons.....	164	573	717	404
Repairs, household durables.....	(1940=100).....	331	667	723	795
<b>MODERATELY GROWING—INCREASES AT AN AVERAGE ANNUAL RATE OF LESS THAN 7½ PERCENT</b>					
<b>6 to 7½ percent:</b>					
Acetylene.....	Million cubic feet.....	5, 144	10, 256	12, 109	12, 136
Phthalic anhydride.....	Million pounds.....	159	301	358	374
Newsprint production.....	Thousand short tons.....	876	1, 726	1, 924	2, 004
Hydrochloric acid.....	do.....	458	826	956	1, 014
Garden tractors.....	Thousands.....	185	224	339	408
Sand and gravel.....	Million short tons.....	319	684	730	707
Glaze and unglazed floor and wall tile.....	Million square feet.....	104.	222	259	225
Coumarone, indene and petroleum polymers.....	Million pounds.....	135	268	318	265
Acetylsalicylic acid (aspirin).....	Thousand pounds.....	11, 016	20, 819	18, 097	23, 553
Mixers, food, standard and portable.....	Thousands.....	1, 570	2, 714	3, 060	3, 270
Sodium hydroxide, liquid.....	Thousand short tons.....	2, 377	3, 993	4, 677	4, 896
Waists, blouses, and shirts.....	Millions.....	94	170	186	193
Coats, separate, men's.....	Thousands.....	4, 458	8, 470	10, 665	10, 560
Methanol, synthetic.....	Million gallons.....	149	214	265	298
Woodpulp.....	Thousand short tons.....	12, 872	21, 796	24, 383	25, 816
Sulfa drugs.....	Thousand pounds.....	2, 630	3, 725	5, 835	5, 080
Pipelines, oil.....	Billion ton-miles.....	120	211	227	229
Asphalt.....	Million barrels.....	52	89	97	99
Receiving tubes.....	Thousands.....	205	397	433	393
Pulpwood consumption.....	Thousand cords.....	21, 189	35, 248	38, 691	40, 485
<b>5 percent:</b>					
Oleomargarine.....	Million pounds.....	908	1, 573	1, 611	1, 695
Sanitary and tissue paper.....	Thousand short tons.....	1, 188	1, 945	2, 128	2, 217
Acetic acid.....	Million pounds.....	422	566	690	765
Carbon dioxide.....	Thousand short tons.....	527	806	891	941
Natural and synthetic rubber, consumption.....	Thousand long tons.....	1, 069	1, 357	1, 628	1, 916
Special industrial and absorbent paper.....	Thousand short tons.....	415	642	752	758
Water heaters, gas.....	Thousands.....	1, 500	2, 673	2, 954	2, 662
Shipping containers.....	Million square feet.....	62	97	110	108
Distillate fuel oil.....	Million barrels.....	381	631	679	668
Passenger cars.....	Thousands.....	3, 909	4, 258	5, 591	6, 675
<b>4 percent:</b>					
Closures, commercial.....	Millions.....	10, 780	17, 675	18, 361	18, 071
Ethyl alcohol.....	Million gallons.....	324	492	541	543
Wax, petroleum.....	Thousand barrels.....	3, 515	5, 252	5, 630	5, 911
Trailer coaches, mobile home type.....	Thousands.....	85	134	162	141
Paperboard, including wet machine board.....	Thousand short tons.....	9, 508	14, 271	15, 624	15, 836
Work pants.....	Thousand dozen.....	3, 508	5, 538	6, 191	5, 650
Industrial trucks and tractors, electric, rider type.....	Thousands.....	3, 438	3, 898	4, 023	5, 640
Bag paper.....	Thousand short tons.....	766	1, 053	1, 158	1, 247
Glass containers.....	Million gross.....	99	145	154	160
Salt.....	Thousand short tons.....	16, 100	23, 844	25, 160	26, 433
Motor fuel, all types.....	Million barrels.....	922	1, 440	1, 448	1, 497
Beef.....	Million pounds.....	9, 075	13, 342	13, 608	14, 690
High industrial explosives.....	do.....	639	816	887	984
Carbon black.....	Thousand short tons.....	649	822	984	1, 036
Heating pads.....	Thousands.....	1, 600	1, 995	2, 560	2, 575
Distilled spirits, withdrawals.....	Million gallons.....	108	155	160	170
Tires, passenger car.....	Millions.....	67	84	103	105
Paper and board, total.....	Thousand short tons.....	21, 897	30, 823	34, 054	34, 461
Freezers, farm and home.....	Thousands.....	690	1, 101	1, 205	1, 045
Warm-air furnaces.....	do.....	777	1, 235	1, 435	1, 214
Gypsum wallboard, including lath.....	Million square feet.....	5, 035	7, 206	8, 425	7, 745
Rayon and nylon tire cord.....	Million pounds.....	251	350	430	390
Sulfuric acid.....	Thousand short tons.....	11, 456	15, 950	17, 609	17, 820
Fine paper.....	do.....	1, 141	1, 535	1, 759	1, 771

TABLE 1.—Production of selected products and services, 1948, 1958-60—Continued

Product or service	Unit of measure	Production			
		1948	1958	1959	1960
<b>4 percent—Continued</b>					
Cement, portland.....	Million barrels.....	205	311	338	319
Canned fruits.....	Million pounds.....	2,500	3,347	3,982	3,796
Book publications.....	Number of editions.....	9,897	13,462	14,424	15,012
Shipping sack paper.....	Thousand short tons.....	567	819	870	859
<b>3 percent:</b>					
Lamps, bulbs, and tubes.....	Millions.....	1,837	2,597	2,858	2,729
Printing paper.....	Thousand short tons.....	3,151	4,053	4,503	4,668
Cans, metal (expressed in terms of metal used).....	do.....	3,245	4,761	4,949	4,801
Glycerine, refined.....	Million pounds.....	197	222	270	290
Trailers, truck.....	Thousands.....	44	50	75	65
Concrete reinforcing bars.....	Thousand short tons.....	1,542	2,035	2,173	2,214
Fertilizers, commercial.....	do.....	17,596	23,172	25,425	25,228
Ethyl acetate.....	Million pounds.....	62	86	101	87
Shirts, dress, sport, business, utility.....	Thousand dozens.....	16,500	21,304	23,232	24,210
Superphosphate.....	Thousand short tons.....	1,900	2,381	2,610	2,680
Waterclosets.....	Thousands.....	3,408	4,031	5,235	4,742
Drinking fountains.....	do.....	82	124	125	114
Copper, refinery (primary).....	Thousand short tons.....	1,107	1,353	1,098	1,519
Innerspring mattresses, other than for cribs.....	Thousands.....	3,226	8,400	8,967	8,692
Newsprint consumption.....	Thousand short tons.....	4,010	4,950	5,328	5,532
Sugar, refined.....	do.....	6,971	9,165	9,443	9,653
Acetic anhydride.....	Million pounds.....	775	965	1,097	1,065
Calcined gypsum.....	Thousand short tons.....	6,249	8,122	9,268	8,511
Shower stalls.....	Thousands.....	148	181	189	200
Cheese.....	Million pounds.....	1,098	1,399	1,382	1,475
Flush tanks, vitreous china.....	Thousands.....	3,082	3,445	4,626	4,154
Canned vegetables (commercial pack).....	Million pounds.....	5,917	8,284	7,603	8,012
Still wines, withdrawals.....	Million wine gallons.....	110	143	144	148
Repairs, passenger cars and trucks.....	(1940=100).....	262	315	346	366
Diesel and semidiesel engines.....	Thousands.....	100	132	180	136
<b>2 percent:</b>					
Meats, total.....	Million pounds.....	21,300	25,747	27,472	28,317
Insulating board and hardboard.....	Thousand short tons.....	1,270	1,666	1,907	1,782
Cigarettes, production.....	Billions.....	387	470	489	507
Coarse paper.....	Thousand short tons.....	3,027	3,613	3,999	3,996
Aniline.....	Million pounds.....	92	101	130	120
Copper, mine.....	Thousand short tons.....	835	979	825	1,083
Bedsprings, total.....	Thousands.....	5,605	7,111	7,779	7,375
Fabricated structural steel.....	Thousand short tons.....	2,718	3,664	2,904	3,436
Crude petroleum.....	Million barrels.....	2,020	2,449	2,575	2,575
Lavatories, total.....	Thousands.....	3,303	3,677	4,488	4,187
Paint, varnish, and lacquer.....	Million gallons.....	272	321	346	347
Sodium bichromate and chromate.....	Thousand short tons.....	96	98	121	122
Ice cream.....	Million pounds.....	2,721	3,154	3,350	3,363
Glazed and unglazed hollow face tile.....	Million brick equivalent.....	335	484	445	418
Exterior frames.....	Thousands.....	4,317	6,247	7,118	5,345
Construction paper and board.....	Thousand short tons.....	2,592	3,055	3,359	3,211
Vitrified clay sewer pipe and fittings.....	do.....	1,433	1,772	1,973	1,859
Fans.....	Thousands.....	3,795	4,676	4,485	4,672
Cigars, production.....	Millions.....	5,645	6,210	7,113	7,009
Shoes and slippers.....	Million pairs.....	480	587	638	598
Oil burners, residential.....	Thousands.....	420	627	653	510
Cast iron soil pipe and fittings.....	Million short tons.....	654	784	862	797
Tractors (used in construction industry).....	Thousands.....	40	47	58	49
Typewriters, standard, including portables.....	do.....	1,173	1,215	1,273	1,180
<b>0 to 2 percent:</b>					
Pork, excluding lard.....	Million pounds.....	10,055	10,528	12,110	11,752
Lubricants.....	Thousand barrels.....	51,400	51,300	56,100	58,400
Brick, common and face.....	Million standard brick.....	5,707	6,459	7,258	6,481
Wastepaper, consumption.....	Thousand short tons.....	7,585	8,670	9,414	9,032
Lard.....	Million pounds.....	2,321	2,441	2,803	2,600
Pig iron.....	Million short tons.....	60	57	60	67
Steel ingots and steel for castings.....	Million short tons.....	89	85	93	99
Dresses, women's.....	Million.....	227	243	257	254
Confectionery sales.....	Million pounds.....	2,673	2,821	2,929	3,003
Kerosene.....	Million barrels.....	122	110	111	135
Slab zinc, primary smelter.....	Thousand short tons.....	788	781	799	868
Reclaimed rubber, production.....	Thousand long tons.....	267	260	304	293
Cast iron pressure pipe and fittings.....	Million short tons.....	1,155	1,278	1,441	1,262
Finished steel products, total.....	do.....	66	60	69	71
Truck and bus tires.....	Million.....	15	13	15	14
Dungarees and waistband overalls, and related items, men's.....	Thousand dozen.....	4,700	4,663	4,842	5,000

See footnotes at end of table, p. 328.

TABLE 1.—Production of selected products and services, 1948, 1958-60—Continued

Product or service	Unit of measure	Production			
		1948	1958	1959	1960
0 to 2 percent—Continued					
Oak flooring.....	Million board feet.....	832	887	994	879
Slab zinc, consumption.....	Thousand short tons.....	818	868	956	861
Automotive replacement batteries.....	Thousand.....	25,075	25,270	27,495	26,329
Hosiery, shipments, total.....	Million dozen pairs.....	144	150	157	151
Bathtubs, total.....	Thousands.....	1,948	2,161	2,503	2,039
Cleaning and dyeing.....	(1940-100).....	1,247	253	257	261
Fermented malt liquor (beer).....	Thousand barrels.....	91,291	89,011	90,974	94,548
Radios, including auto.....	Thousand.....	16,500	12,877	15,622	17,127
Sodium silicate.....	Thousand short tons.....	486	478	514	498
Lamb and mutton.....	Million pounds.....	747	720	735	766
Domestic water systems.....	Thousand.....	650	720	800	770
Sulfur, native.....	Thousand long tons.....	4,869	4,645	4,554	4,942
Irons.....	Thousand.....	6,660	5,662	6,747	6,685
Pickup hay balers.....	do.....	49	71	53	49
Adding machines, electric and non-electric.....	do.....	343	319	369	348

## SHOWING DECLINING TRENDS

Up to 2 percent:					
Calculating machines, electric and nonelectric.....	Thousand.....	123	99	112	122
Sodium carbonate (soda ash).....	Thousand short tons.....	4,575	4,324	4,904	4,557
Vacuum cleaners.....	Thousand.....	3,361	3,295	3,421	3,313
Creamery butter.....	Million pounds.....	1,304	1,611	1,440	1,479
Hardwood doors.....	Thousand.....	3,855	4,308	4,613	3,763
Cotton broad-woven goods.....	Million linear yards.....	9,640	8,974	9,605	9,328
Copper, consumption.....	Thousand short tons.....	1,214	1,157	1,183	1,148
Lead, refined, produced from domestic and foreign ores.....	do.....	407	472	342	385
Ranges, electric including built-in.....	Thousand.....	1,600	1,355	1,687	1,525
Raw cotton consumption.....	Million pounds.....	4,464	3,867	4,337	4,217
Lumber, total.....	Billion board feet.....	37	33	37	35
Coats, trimmed and untrimmed, women's.....	Thousand.....	25,574	23,411	24,338	23,790
Silk, consumption.....	Thousand pounds.....	7,400	5,300	8,000	6,900
Rayon and acetate, consumption.....	Million pounds.....	1,150	1,127	1,253	1,056
Railroad revenue, freight, ton-miles.....	Billion miles.....	641	555	579	585
Sheep and lamb skins.....	In thousand equivalent hides and skins.....	33,492	27,453	32,054	30,399
Methanol, natural.....	2,366	1,919	2,123	2,162	2,182
Flour, wheat.....	Million pounds.....	142	126	127	129
Suits, men's.....	Thousands.....	23,412	17,932	21,079	21,134
Tin consumption, primary and secondary.....	Thousand long tons.....	91	73	77	80
Lead consumption, primary and secondary.....	Thousand short tons.....	1,134	986	1,091	1,002
Trucks and buses.....	Thousands.....	1,376	877	1,137	1,195
Floor and wall furnaces.....	do.....	530	495	573	460
Rayon and acetate production.....	Million pounds.....	1,124	960	1,097	968
Cattle hides and side kip.....	In thousands, equivalent hides and skins.....	26,070	23,818	23,167	21,976
Work shirts.....	Thousand dozens.....	4,648	3,811	3,881	3,876
Crowns.....	Million gross.....	333	303	323	279
Canned fruit juices.....	Million pounds.....	2,458	2,024	2,067	2,064
Textile bags, burlap.....	(1940 49=100).....	108	93	98	90
Clocks.....	Thousands.....	9,995	7,450	8,100	8,300
Aircraft engines, civilian.....	Thousand horsepower.....	2,799	3,850	2,513	2,284
Washing machines, electric and gas.....	Thousands.....	4,196	3,770	3,950	3,381
2 percent:					
Veal.....	Million pounds.....	1,423	1,189	1,016	1,109
Iron ore.....	Thousand long tons.....	101	68	60	88
Steel barrels and drums, heavy type.....	Millions.....	27	22	23	21
Kitchen sinks, total.....	Thousands.....	2,711	2,130	2,286	2,067
Cast-iron boilers (round and square).....	Million pounds.....	263	216	205	191
Toasters.....	Thousands.....	4,850	3,300	3,774	3,555
Manufactured tobacco.....	Million pounds.....	245	180	176	173
Refrigerators, electric.....	Thousands.....	4,766	3,117	3,785	3,475
Overcoats and topcoats, men's.....	do.....	6,193	4,870	6,098	4,393
Residual fuel oil.....	Million barrels.....	466	363	348	330
Condensed and evaporated milk.....	Million pounds.....	3,755	2,751	2,746	2,662

See footnotes at end of table, p. 323.

TABLE 1.—Production of selected products and services, 1948, 1958-60—Continued

Product or service	Unit of measure	Production			
		1948	1958	1959	1960
<b>3 to 5 percent:</b>					
Zinc, mine.....	Thousand short tons.....	630	412	425	432
Bituminous coal.....	Million short tons.....	600	410	412	413
Machine tools, metal cutting-type.....	Thousands.....	50,000	27,400	33,900	34,000
Open sash.....	do.....	11,820	9,432	11,049	7,958
Suits, women's.....	do.....	14,963	8,999	9,681	9,464
Cooking stoves, gas, domestic.....	do.....	2,750	1,897	2,012	1,816
Water heaters, electric.....	do.....	1,040	824	783	715
Cresote oil.....	Million gallons.....	145	105	90	93
Lead, mine.....	Thousand short tons.....	390	267	256	244
Calf and kid skins.....	In thousands, equivalent hides and skins.	10,480	8,069	6,573	6,332
Inner tubes, passenger, truck, and bus.....	Million.....	70	41	46	41
Wool consumption, apparel and carpet.....	Million barrels.....	693	331	429	404
Woolen and worsted woven goods.....	Million linear yards.....	498	271	311	283
Carpets and rugs, wool type.....	Million square yards.....	90	51	59	54
<b>5 percent and over:</b>					
Power sprayers and dusters.....	Thousand.....	131	88	96	73
Railroad revenue passenger-miles.....	Million miles.....	41,200	23,200	22,100	21,400
Asphalt board products.....	Thousand square feet.....	31,932	17,416	19,713	16,226
Railroad freight cars.....	Thousand.....	115	44	38	57
Goat and kid skins.....	In thousand equivalent hides and skins.	37,970	19,992	22,797	18,699
Milking machines.....	Thousand.....	62	33	36	28
Ponderosa pine doors.....	do.....	4,091	1,829	2,474	1,948
Maple, beech, and birch flooring.....	Million board feet.....	75	40	40	36
Feature movies.....	Number.....	366	240	190	170
Local transit, passengers carried.....	Million.....	17,312	7,778	7,650	7,491
Textile bags, cotton.....	(1940-49=100).....	68	28	29	27
Structural clay tile.....	Thousand short tons.....	1,271	543	521	495
Phonographs, radio-phonograph combinations.....	Thousand.....	2,229	760	829	842
Wire nails and staples.....	Thousand short tons.....	860	418	392	320
Heating stoves, domestic.....	Thousand.....	5,227	2,262	2,254	1,907
Combines (harvester-threshers).....	do.....	91	47	43	30
Rails and accessories.....	Million short tons.....	3,517	989	1,189	1,266
Anthracite.....	do.....	57	21	21	18
Tractors, wheel-type, excluding off- highway and garden type.....	Thousand.....	529	239	252	151
Cornpickers, field.....	do.....	79	35	35	27
Radiators and convectors.....	Million square feet.....	60	22	24	18
Tractor moldboard plows.....	Thousand.....	309	109	119	110
Asphalt sidings.....	Thousand squares.....	3,280	1,040	935	871
Overdrives.....	Thousand.....	654	137	223	155
Range boilers.....	do.....	536	156	128	103
Locomotives, electric.....	Number.....	8	0	0	0
Railroad passenger cars.....	do.....	946	130	70	243
Space heaters, oil.....	Thousand.....	1,235	244	288	231
Mechanical stokers.....	do.....	86	16	16	15
Locomotives, diesel-electric.....	Number.....	2,254	434	842	366
Locomotives, steam.....	do.....	86	0	0	0
Tire cord, cotton.....	Million pounds.....	285	38	40	29
Black blasting powder.....	do.....	33	2	2	2
Ironers.....	Thousand.....	477	35	40	35

<sup>1</sup> Data are for 1953.

<sup>2</sup> Data are for 1954.

<sup>3</sup> Data are for 1952.

<sup>4</sup> Data are for 1949.

<sup>5</sup> Data are for 1947.

<sup>6</sup> Data are for 1951.

<sup>7</sup> Data are for 1955.

NOTE.—The average annual rates of growth shown are based upon the change in output from 1948 to 1960 or from first year production data are available.

Source: Survey of Current Business, September 1961.

Senator CLARK. I just mentioned to Senator Proxmire that this is an excellent investment guide.

Mr. EGGERT. It has a lot of uses. But some in the areas that are expanding you would expect to find job vacancies. In the areas where the industries are contracting you would, of course, expect—it is not always true, but you would expect to find—

Senator PROXMIRE. What this chart shows is the production of—

Mr. EGGERT. Index of production.

Senator PROXMIRE. What is this an index of? I see that transistors, for example, go up from 80 to a thousand, and some of these others in the thousands, what does this column under "Production" represent?

Mr. EGGERT. This represents—well, the unit difference, helicopters is the first one there, for example, is in thousands of miles. And then there are some of them in tons.

Senator PROXMIRE. I see. The second column gives it.

Mr. EGGERT. The second column gives the unit of measurement.

Senator PROXMIRE. I see.

Mr. EGGERT. But the interesting thing is the grouping by percentage of increases.

Senator PROXMIRE. What I would like to see, and what I think would be most useful here, especially for this purpose, is something to apply to jobs. For instance, I have an uneasy feeling when I talk about the electronics industry as an opportunity for employment that while it is expanding rapidly, maybe it isn't a big and highly significant opportunity for employment. On the other hand, this is one of the reasons why the Small Business Investment Company Act is good investment for a lot of boys who want to make a lot of money, because they can put it into a very big company which employs a lot of people, and it fits the definition of small business, and comes out pretty well.

Mr. LOWRY. Mr. Chairman, there is a certain amount of information which will be helpful to you in this regard. The Office of Area Redevelopment in the Department of Commerce made a study using the 1954 census figures which compared 1954 with 1948, showing these industries which were growth industries in terms of employment growth, whether it was 20 percent or more.

Senator PROXMIRE. When was this made?

Mr. LOWRY. It was made in 1958. But it related the 1954 census to the 1948 Census of Manufactures. A similar study is, I believe, underway using the 1958 Census of Manufactures to compare with the 1954 census. And this is very specifically addressed to the type of question you raised: what industries are really growth industries in terms of employment being offered. And there was even some effort to do this with a little bit of State detail, not complete, but a certain amount of it.

Senator PROXMIRE. I wish it would be as much as possible, because that location—

Mr. LOWRY. I am sure it is as much as possible, but I am not sure how much.

Mr. EGGERT. The unit should be jobs rather than pounds or dollars.

Senator PROXMIRE. Right. And then we should also have a geographical breakdown, because you have to recognize the relative immobility.

Mr. LOWRY. They went even further than that and picked out, as I recall, some expanding job opportunities in industries which were not themselves growing. But there are some places where the industry itself may not be growing employmentwise, and certain aspects of employment may be growing, and they even did some work along this line. It is at least a partial answer to some of the things you had in mind.

Mr. EGGERT. The next section of our testimony deals here with seasonal adjustment.

The seasonally adjusted rate of unemployment is a widely used figure. The adjustments presently used in arriving at this figure have been questioned by a number of respected economists. This is a question which is worth examination by competent technicians. As a group we don't want to take a position that we have the perfect order. This matter needs further study and further elaboration, continual study.

This global figure is a valuable tool—a kind of shorthand—which can be used effectively by experienced analysts. It is not, however, a magic number.

#### PRESENTATION IN POPULAR FORM

Employment and unemployment statistics will be very much in the public eye throughout the next decade. As public interest in any particular statistical information grows, more and more people who are not specialists in the field use it.

At the present time public attention is focused on the single number with all of its limitations. Despite the work done by BLS to point up the significant details, there is a need to develop a form of presentation which will provide needed detail in a way which will get attention and be used.

It would be worth while to consider the presentation of essential manpower information in extremely simple form on a regular basis. Perhaps Economic Indicators or Health, Education, and Welfare Indicators or Health, Education, and Welfare Trends would be useful examples to emulate. A compilation, a putting together of useful charts that would get into detail, would perhaps be one of the real steps forward here.

Senator PROXMIRE. I think that is a very, very excellent suggestion. Somehow you have to break through the indifference, the ignorance, the tendency to generalize on the basis of just one big figure, which is, as you indicate, a very frequent abuse.

Mr. EGGERT. Such a simplified presentation should aid in making the data more understandable to many who possess neither the patience nor the know-how or just plain don't have the time to find their way through the present maze of complex tables.

It is even hard for a technician sometimes to look at all the great details and study the cross tabs, and we need a simplified form of presentation.

I would like to introduce in the record a number of suggestions, specific comments that we made as a result of our inquiry. And that is a two-page document.

Senator PROXMIRE. It will be printed at this point in the record.

(The document referred to is as follows:)

"In the future, a potential source of more information on the characteristics of the employed might be company EDP personnel record systems. Most companies have a payroll identification of each employee on punchcard or tape and many companies are setting up personnel record centers in their EDP systems to provide internal employee information such as personal data, job classification, work experience, skills, formal education, other training, etc. There might be possibilities of tying in this information, as well as the employer reported data (social security and income tax information) to the household survey data. Independent studies might even be made on job classifications, skills, education, and so on without tying into the population sample."—Manufacturing company.

"If there is any particular emphasis to be mentioned, it should be placed on the need for data on job vacancies.

"With the current broad interest and emphasis on the need for retaining of our work force, it is essential that we have some idea as to what they should be retained for.

"There may be a need in the unemployment statistics for an identification of the number who were never previously employed. Currently, the general notation of unemployment implies former workers who have lost their jobs. The number of unemployed who have never held a job would be of some significance, particularly in the future."—Manufacturing company.

"The concepts used in defining employed and unemployed persons in the Monthly Report on the Labor Force are the best which have been devised to date to meet the objectives desired by management, labor and governmental technicians, and the general public."—Business association.

"Another measure of unemployment should at least receive discussion; namely, unemployment adjusted for involuntary part-time work. This would entail some sort of index being constructed. If a measure such as this now existed, present rates of unemployment would now be higher than they are reported."—Manufacturing company.

"I would give top priority to more geographic detail and to more industry detail. Currently, we don't know at all the number laid off from any specific industry and the unemployment rates published for individual industries seem to be subject to a very wide margin of error. Furthermore, we don't have any information on unemployment duration by industry. This is the type of information we could easily get from an enlarged sample and, to my mind, it is the type of information most urgently needed.

"BLS currently publishes a breakdown of employment by occupation. This breakdown is very rough but even a much finer breakdown along the current classification system would not be of much help. The trouble is that the current classification system is obsolete. The current occupational classification system was developed decades ago at a time when craftsmen represented a substantial proportion of the labor force and when white-collar employment covered exclusively clerical workers, sales workers, and professional workers. It was never thoroughly overhauled and does not reflect today's needs.

"If there is any danger that sometime in the future job openings will be impossible to fill because workers with the required skills had not been trained, then we should not wait until the situation can't be remedied but we ought to find ways to know about it in advance. If the job requires 12 months' training we ought to know about it 12 months in advance, if the job requires 4 years training we ought to know about it 4 years in advance, etc.

"Instead of statistics of current job openings we would need information on job opening expectations. Such information would not have to cover all future job openings but only those highly skilled or professional jobs where an extensive training period is a necessary prerequisite."—Labor union.

"Information on the characteristics of the unemployed would be highly useful in the consideration of policies to expand employment."—Farm organization.

Mr. EGGERT. We appreciate that very much.

I would like to summarize briefly. We have tried to emphasize three major points here in this paper. First of all, we have confidence in the integrity and competence of the Government agencies that will provide employment and unemployment statistics.

Senator CLARK. Let me interrupt there, if I may, Mr. Chairman, to ask you whether you agree with the charge that the rate of unemployment presently used is misleading, or creates a false impression.

Mr. EGGERT. I would not agree with that charge.

Senator PROXMIRE. You specifically disagree with the notion that it is rigged in any sense?

Mr. EGGERT. We specifically disagree with that view. We feel that the groups that are working have the highest integrity and confidence. There are shortcomings but the statistics we have are the result of honest efforts on the part of able people who try to come to compromises, in many of these areas where there are differences in viewpoints. These are gray areas; they are not black and white. But they have received very serious study, and the people in the statistics-producing agencies have come to honest judgments which have had to be made.

Now, individuals can differ in those judgments. I know presently that I may not agree with all the judgments and decisions made, for example, but I will say—and I think the conference speaks as a group—that the integrity and confidence of the people who have made these judgments should not be questioned.

Senator PROXMIRE. Do you speak for a group of varied interests, and so forth?

Mr. EGGERT. Yes.

Senator PROXMIRE. Was there any representative of any group, did anybody report from any group that there was a feeling that maybe these figures were being rigged, or there was lack of integrity or lack of confidence?

Mr. EGGERT. Not a single one of our diverse group in these four areas.

Senator PROXMIRE. How widely read among your group—let me put it a little differently—how wide a response do you get from your group to the article in the Reader's Digest? Would you say that quite a representative sample, at least, of your group has expressed to you their feeling about it?

Mr. EGGERT. Yes. But I would like to have Mr. Lowry answer that in detail.

Mr. LOWRY. Let me say this, Mr. Chairman. We didn't go to the members of the conference and ask them what they felt about Mr. Daniel's article. We already had had enough information as to user views on unemployment and employment statistics to justify the letter which was written after all the members of the board of trustees had been consulted about it. We have gone to all our members in preparation of this testimony, outlining to our membership the broad points we proposed to make and how we propose to make them. And there was absolutely no indication that anybody in any respect disagreed in principle with the testimony. And there were a number of suggestions for amendments. The principal ones in importance have already been submitted to you.

Mr. EGGERT. But none related to the matter of integrity.

Mr. LOWRY. Never. I will go further and say this, that we have seen considerable publicity given to two forms of criticism. One, in the Reader's Digest article, argues that the proposed improvements that are in the current program of the Bureau of Labor Statistics



were rammed down the throats of these statisticians by the Director of the Bureau of the Budget. A second criticism asserts that somehow politics is involved in the presentation of the statistics. As far as the first view is concerned, we made a careful collection of the presentations of the Bureau of Labor Statistics before the Appropriations Committee this year. We found it very clear that the program of improvement to get details on the characteristics of the unemployed and to compare the figures as developed by the current population survey with those which were prepared from the unemployment insurance records, were originated right at the BLS. They were taken to the Department of Labor, to the Bureau of the Budget, and the Congress in the regular orderly way in which all budget proposals are prepared. These proposals were not rammed down their throat. As for the second criticism, there have been no suggestions from any of our members and we have been unable to find anything to show that any "politics as usual" played any part in the preparation and presentation of these figures.

Senator PROXMIRE. Thank you.

Senator CLARK. I don't happen to read the Reader's Digest. Did they publish your letter?

Mr. EGGERT. No.

Senator PROXMIRE. As a matter of fact, the Reader's Digest was, as I understand it—and I would like to check it for the record—the Reader's Digest had a number of letters, they had letters from Mr. Eggert and letters from some of the top users and some of the top businessmen and business interests in the country. I put copies of those letters into the Congressional Record. The Reader's Digest was asked to run an article on the other side, and they said they don't follow a policy of debate in this way in their publication.

Mr. LOWRY. We received a reply 2 or 3 weeks ago, but the reply was not from the editor but from the executive editor saying that Mr. Daniel was a competent reporter and journalist, and they have every confidence in his work, and that there can be honest differences of opinion.

Senator CLARK. Mr. Chairman, you invited Mr. Daniel to appear at these hearings, did you not?

Senator PROXMIRE. Yes. We have that in detail in the record, he was invited to appear or to send somebody to represent his viewpoint. He hadn't answered any letters, he did talk on the phone with my assistant. He then wrote my executive assistant a confidential letter, which, of course, I can't use.

Mr. EGGERT. Most unfortunate.

Mr. LOWRY. The real tragic thing about this article is that a number of things to which he took exception are matters which are already in the 1962 fiscal year program with the Bureau of Labor Statistics, and they are on public record, and were easily obtained. This is a real misfortune.

Mr. EGGERT. The article just doesn't dig into the facts in many areas.

Well, in summary, using integrity and competence, it was the unanimous view of our members that this is not questioned.

We will need to have more detail on the composition, character, and utilization of the labor force to deal with the manpower in 1960.

Some of the details are being generated now, but we will need additional details.

Senator PROXMIRE. I presume that you would also go along, or would you, disagree with the need for more information about the unemployed person also, about the special efforts he is making.

Mr. EGGERT. Yes, we would agree with the need for that kind of detail.

No. 3, it would be necessary to present in this detail the information in a form which is readily understood, gets attention, and is used.

Now, this is my three points: (1) integrity, no question; (2) we feel more detailed information will be needed in the 1960's; (3) it should get more attention.

Senator PROXMIRE. I just have a couple of questions. Has the exceptional higher rate of unemployment been as the result of exceptional changes in the structure of our economy?

Mr. EGGERT. I should decline to comment on that because we have not canvassed our members. The FSUC is an organization whose members have diverse views and interests but who are drawn together because of their common need for adequate information from Federal statistical sources. I could give personal views, but since I am representing the group I will decline to comment.

Senator PROXMIRE. And you will decline also to answer a question as to the infiltration of these individuals for policies, public and private, over the next few years?

Mr. EGGERT. Yes, sir.

Senator PROXMIRE. Let me ask you this: This is in reference to your emphasis which you didn't include in your summary, but your study emphasis throughout on the fact that these jobs are going to open up in areas where education will be needed, and training?

Mr. EGGERT. Yes; education and training.

Senator PROXMIRE. Now, can you give me your personal opinion, if you would like to do so, of why so many business people, or so many of the conservative community, oppose the Manpower Training Act which we passed last year which would provide for substantial training for people, specifically to meet the unemployment problem. This didn't receive the kind of support that it should have: it didn't go through unanimously; there was a lot of opposition; and it still isn't through the House. If you feel that this is outside your scope, you are free to decline, but this is very essential to your excellent idea that we are going to have to provide more training in new skills for the unemployed.

Mr. EGGERT. I believe that this is outside of the scope of what I should comment on as a representative of this group. On a personal basis, I think that probably there was misunderstanding on, let's say, the objectives of the bill, how it is to be financed, or perhaps in some of the details which has caused this rift of opinion. Certainly, in my view, there is in the business community a strong interest in the need for additional training of people, additional people with educations in specific fields. I know that our own company has put a great deal of stress on this. We have various specific arrangements for grants to institutions of training. When I make a donation, Ford Motor Co. matches the donation that I make to my colleges. And in the case of a small school, they double what I donate. This is an indication which

illustrates the emphasis that our company puts on education, and I think this is generally true of other companies—

Senator PROXMIRE. That is a wonderful policy.

Mr. EGGERT. It is a real encouragement for me to make donations to educational institutions. My youngest boy is going to Lawrence College at Appleton, and I am taking advantage of that. It is a very good school.

Senator PROXMIRE. It is the "Mother of Presidents," you know; Pusey, now president of Harvard, was a Lawrence president first, and Riston and others.

Mr. EGGERT. Coming back to your question, Senator, I believe that perhaps there is a misunderstanding as to the objectives, and particularly how this was to be financed, and I think this is where the area of objection arose, rather than in terms of the need for training or the need for additional emphasis on education.

Senator CLARK. Could I make a comment on that? Because as you know, I steered the bill through the committee and was floor manager of it. Actually, at the hearings there was very little objection to the bill, and it did pass the Senate by a rather substantial majority, but I think those that objected to it did so on two grounds: First, they were concerned about the fiscal implications, because it does authorize a pretty substantial appropriation, and they were worried about an unbalanced budget; and secondly, there is a school of thought, very sincere—I disagree with it—which believes that this kind of matter should be handled by the State facilities, that the States can do it. I don't think they can. But I think this is where the opposition to the bill came from: those who felt that it would unbalance the budget and those who thought that this was a job for the States.

Senator PROXMIRE. We can't discuss in detail the matter of manpower training now. I would say that most of those who voted against it voted all the way through for bigger defense appropriations. And I think this training program is just as important to our defense as anything else, or perhaps more important.

At any rate, I want to thank you, Mr. Eggert and Mr. Lowry, for very fine testimony. I want to commend you and your excellent organization. This is a great public service. I know you gentlemen in your organization are in it on a nonprofit basis. It is a very great service to this committee. Thank you very much.

Mr. EGGERT. We appreciate very much your continued interest in this group and our opportunity—

Senator CLARK. Could I ask just two questions. It will take me 2 minutes more.

On the record, will you tell us your job with the Ford Motor Co.?

Mr. EGGERT. I am market research manager for the Ford Division of the Ford Motor Co., and in that capacity I have responsibility over surveying customers on their attitudes toward our products, and have the responsibility of making forecasts of our volume of sales for next year, and similar responsibilities, for the largest division of the company.

Senator PROXMIRE. You anticipate at 16-percent increase, I see, next year, in sales.

Mr. EGGERT. Our forecast is a 7-million-car year, which would be up a million from this year's level. It will be a 7-million year.

Senator CLARK. And finally, in connection with your compilation and publication of Federal statistics, have you seen any evidence that politics has interfered with efforts to clarify these statistics and put them in the true perspective?

Mr. EGGERT. None.

Senator PROXMIRE. Thank you very much, Mr. Eggert and Mr. Lowry.

We will reconvene at 2 o'clock when Professors Kendrick, Long, Reynolds, and Samuelson will testify before the panel.

Thank you, gentlemen.

(Whereupon, at 1:15 p.m., the committee was in recess, to reconvene at 2 p.m. of the same day.)

#### AFTERNOON SESSION

Senator PROXMIRE. The subcommittee will come to order.

This afternoon we are most fortunate to have with us a panel consisting of Prof. John Kendrick of George Washington University, Prof. Clarence Long of Johns Hopkins, Prof. Lloyd Reynolds of Yale University, and Prof. Paul Samuelson of the Massachusetts Institute of Technology.

I might say, gentlemen, that as you may know, this is the third and final day of testimony—we have had testimony morning and afternoon beginning on Monday of this week—and while the people who have appeared have been very well-qualified people and very able and sincere people, it has reinforced in my mind the notion that we, in the first place, do not know as much about unemployment as we ought to know by a long shot.

In terms of statistics there is a lot of information we should have and do not have; and, in the second place, that this is one problem in which our progress has been extremely halting. Every time we seem to get into an area where we can begin to make progress and begin to reduce unemployment, we find obstacles which seem to be so big that we cannot move ahead along that line.

At any rate, we are very pleased to welcome you here.

I suggest we might proceed—Senator Clark is going to join me momentarily—but we might proceed best, possibly in view of the fact that the statements are concise, by having each of you speak first and give your statement any way you wish to give it, either the entire statement read or summarized, and then have questions, rather than interrupt you with questions beforehand.

So, Mr. Kendrick, will you proceed.

#### STATEMENT OF JOHN W. KENDRICK, PROFESSOR OF ECONOMICS, GEORGE WASHINGTON UNIVERSITY

Mr. KENDRICK. Mr. Chairman, I am pleased to have this opportunity to appear here before your subcommittee to discuss our statistics of employment and unemployment, the causes of the relatively high unemployment rate of recent years, and possible policies for reducing this rate.

These are well-chosen questions, since without adequate statistics we cannot have adequate analysis, and without adequate analysis it is difficult to frame appropriate policies.

These are important questions not only because of the human problems involved by excessive unemployment, but also because the associated reduction of output and investment tends to reduce our future output and income potential.

Now, I have a longer statement that I first wrote out of about 12 pages. However, due to the discipline of having 8 minutes to make a main presentation, I boiled this down into a four-page statement. This is a very good discipline because, after comparing the two, I decided the four-page statement is better anyway. Not too much is lost by having condensed it. However, you have the full statement to use as you wish.

On the statistics of employment and unemployment, in general, I have little to add to the admirable review provided by Raymond Bowman this morning.

There will, of course, be always disagreement among reasonable men about the concept and definitions of broad economic aggregates such as these. These differences will be exaggerated as interest groups feel their ends may be served either by using broad or narrow definitions of unemployment and, of course, our enemies abroad like to exaggerate the extent of unemployment in this country.

In general, I approve of the concepts and measuring techniques underlying the current monthly labor force reports. It is possible to live with any reasonable set of global concepts so long as there is consistency over time in definitions and in estimating procedures, and so long as full detail as to the significant components of the aggregates, both those that are in gray definitional areas, and those that are needed for analysis, are available.

In order to try to minimize the misinterpretation and misuse of the labor force estimates, I think, in the initial releases and subsequent reports, emphasis should be given to the major components of the employment and unemployment estimate as well as to the aggregates.

The detailed estimates contained in the monthly report and the occasional special surveys are, of course, indispensable for analysis.

I would recommend a substantial expansion of the household sample once a year as a means of obtaining more accurate estimates of a number of categories of employment and hours not elsewhere available.

This would also make it possible to obtain detailed information about the characteristics of the labor force generally, and the unemployed in particular, that would help in framing appropriate manpower policy—such matters as the financial resources of the unemployed or the degree of attachment to the labor force.

These detailed questions could better be answered by estimates based on a larger sample once a year.

In addition, the establishment sample that underlies our other employment estimates should further be strengthened in some areas, particularly the finance and service industries, in order to make possible more accurate and more complete data on employment, hours, and earnings in these areas.

From the viewpoint of lending perspective to the estimate of total unemployment, I suggest that the Department of Labor as soon as possible have another try at constructing a meaningful statistical series relating to job vacancies.

The concept of "vacancy" must be carefully and consistently defined and, I understand in the earlier attempt, there was some problem about getting consistent definitions. But I would suggest, in passing, that a vacancy should be defined as such only if a firm is actively seeking to fill the job opening, just as a person is classified as unemployed in our present reports only if actively seeking work as a primary criterion.

A breakdown of the job vacancies by industry and occupational category could be of real assistance in dealing with the unemployment problem.

On the recent and current situation, I will first take up the role of structural unemployment. Structural disemployment occurs when people lose jobs due primarily to technological changes and shifts in demand and associated dynamic changes.

But the term "structural unemployment" should only be applied when there is difficulty of matching these persons with available jobs. If potential jobs do not exist, persons are unemployed for cyclical reasons, even if their loss of employment was due to structural change. I am trying to distinguish between structural disemployment and structural unemployment.

Actually the two factors are interrelated since the higher the levels of demand and inducements to produce, the more ready employers are to hire persons and train them, as necessary, and the greater the variety of job openings.

There is always a certain amount of structural unemployment, since it takes time for people to locate and adapt to available jobs.

But I see no evidence that the increase in unemployment rates since 1957 has been due to structural reasons. There has been no acceleration in productivity gains, according to our existing measures and, paradoxically, the record of the past 70 years, as I have set forth in table I, shows that periods of accelerated technological advance, as reflected in productivity measures, have generally been periods of relatively low unemployment.

This is due to the fact that the larger volume of innovations associated with accelerated technological advance require relatively more investment, which produces faster growth of demand, output, and employment, and thus lower rates of unemployment.

I had written this before I got your very excellent subcommittee study print, and I noticed that this point was emphasized there, too, in the appendix to part 4, and I certainly agree with this analysis. (Higher Unemployment Ratios, 1957-60: Structural Transportation or Inadequate Demand.)

I do think that my table 1 adds some statistical support to it, since almost invariably, if you look down columns 1 and 2, you find that high unemployment is associated with low rates of productivity advance, and vice versa.

I think this table also is useful in putting in perspective our recent higher than normal unemployment rate because if we go back over the economic history of this country we find that we have had higher periods of economic growth, succeeded by lower periods of growth.

Professor Abramovitz of Stanford has called this the long wave or trend cycle, and we are in another period of lower rate of growth.

I think this helps give perspective to our problem, although I certainly do not want to imply that we should not try to speed up growth when we find ourselves in the downswing of a long wave, so to speak.

The situation is further aided by the fact that technologically progressive industries generally increase their sales and output faster than the average of all industry, as was demonstrated in my recent book, "Productive Trends in the United States."

The employment in these progressive industries does not fall relatively, and structural adaptations are frequently made within the employed work force of the affected plants.

I would go so far as to say it is more apt to speak not of technological unemployment but rather of unemployment due to technological lag, since lagging technological advance is associated within adequate levels of investment and aggregate demand.

Further evidence developed by the subcommittee staff demonstrates that geographical, occupational, and industrial mobility of the labor force and of the unemployed has been as high since 1957 as earlier, and also the wide diffusion of unemployment and the apparent drop of job vacancies, based on our fragmentary information, in 1960 relative to 1957, suggests that the chief cause of high unemployment at the peak of the 1960 expansion was insufficient demand.

Now, in analyzing the demand picture, I obviously cannot do much in the few minutes remaining. I merely want to place emphasis on one aspect of this situation, which, I think, is somewhat overlooked, and that is the fact that private investment in 1960 failed to equal the 1957 level, and declined significantly as a proportion of national product.

This may be attributed, in part, to the markedly lower profit margins in 1960 compared with 1957.

This was a continuation of the profit squeeze that has been proceeding since 1950, gradually reducing investment incentives and internal sources of financing, and I try to give some of the relevant series in table 2.

More basically, this profit squeeze, I think, has been due, at least in part, to governmental fiscal and monetary policies. But since profits were abnormally high in 1950 as well as in 1948, with the high post-war demands and the impetus of the Korean conflict, and since investment backlogs continued to exist up to around 1957, it was only in the recent expansion year of 1960 that restrictive policies aborted fixed investment demand prior to full recovery.

The downturn in 1960 was speeded by the severe drop of inventory investment from the unusually high levels reached in early 1960, following settlement of the prolonged steel strike in late 1959. But still, I think, it was the weak inducement to fixed investment which is the major factor in the aborted boom of 1960.

Now, just a few comments with respect to policy implications of this analysis.

You might think as a result of this summary of my analysis that I would merely say let's increase aggregate demand and unemployment will melt away, it is not necessary to take special measures about structural unemployment.

But I think that this would be a very shortsighted approach. There is no reason why we should not try to decrease structural unemployment and increase mobility of the labor force at the same time that we are trying to increase aggregate demand, because there are certain beneficial effects of reducing this amount of structural unemploy-

ment, and I certainly do not deny there is a considerable amount of structural unemployment.

All I have argued is that the increase in unemployment rates has not been due primarily or even in significant degree to an increase in structural. Measures to reduce the amount of structural, I think, would be good insurance against the possibility, slight though it may be, that this analysis has placed too much emphasis on demand!

To strengthen demand, I recommend very briefly further liberalization of depreciation allowances for tax purposes; second, as soon as a budget surplus is in sight, a step reduction in the corporate income tax rate from 52 percent to below 50 percent, and the beginning of gradual reductions in personal income tax rates; third, a less restrictive monetary policy than has been pursued in recent expansions. In my table 2 I show the continuing increase of long-term interest rates in each successive cycle which, I think, has been a factor in reducing investment demand in the latest boom; and, fourth, continued increases in Federal support for research and development expenditures, including basic research, since this helps keep up the inducement to invest.

To reduce structural unemployment, I would put primary emphasis on continued expansion of our general educational effort with Federal aid as necessary, in order to increase the average education and training of the work force, and prepare them for the increasingly higher level of job opportunities that are associated with our increasingly complex economy.

Outlays for higher education might be made a limited deduction for personal income tax purposes.

Liaison between the Labor Department and our educational institutions should be improved so that students can be better apprised of labor market requirements and opportunities.

Special programs for training and retraining of the unemployed might also be tried along the lines of the Manpower Development and Training Act of 1961, as proposed. It should be realized, however, that this approach will solve only a small part of the current problem.

In any case the normal course of economic recovery and the increase of demand that appears to lie ahead in the next year is likely to reduce the unemployment rate to 4½ percent or less by the end of 1962.

Thank you.

Senator PROXMIRE. Thank you very much, Mr. Kendrick.

(The prepared statement together with accompanying tables follow:)

STATEMENT OF JOHN W. KENDRICK, PROFESSOR OF ECONOMICS, GEORGE WASHINGTON UNIVERSITY

Mr. Chairman and members of the subcommittee, I welcome this challenging opportunity to appear before your subcommittee to discuss our employment and unemployment statistics, the causes of the relatively high unemployment rate of recent years, and possible policies for alleviating this condition. These are well chosen questions, since without adequate statistics we cannot have adequate analysis, and without adequate analysis, it is difficult to frame appropriate policies. These are important questions, not only because of the human problems created by excessive unemployment, but also because the associated reduction of output and investment tends to reduce our future output and income potential.



*Statistics of employment and unemployment*

With respect to the statistics, I have little to add to the admirable review provided by Raymond T. Bowman this morning. There will, of course, always be disagreement among reasonable men about the concept and definitions of broad economic aggregates such as these. These differences will be exaggerated as interest groups feel their ends may be served either by using broad, or narrow definitions, of unemployment. And our enemies abroad like to exaggerate the extent of unemployment in this country as part of the attempt to discredit our free economy.

In general, I approve of the concepts and measurement techniques underlying the current monthly labor force reports. It is possible to live with any reasonable set of global concepts so long as there is (a) consistency over time in definitions and estimation procedures, and (b) full detail as to the significant components of the aggregates, both those that are in gray definitional areas, and those that are needed for analysis. And in order to try to minimize the misinterpretation and misuse of the labor force estimates, I think that in the initial releases and subsequent reports, emphasis, should be given to the major components of the employment and unemployment estimates, as well as to the aggregates. The detailed estimates contained in the monthly report, and the occasional special surveys, are, of course, indispensable for analysis.

A substantial expansion of the household sample once a year is recommended as a means of obtaining more accurate estimates of a number of categories of employment and hours not elsewhere available. This would also make it possible to obtain detailed information about the characteristics of the labor force generally, and the unemployed in particular, that would help in framing appropriate manpower policy. In addition, the establishment sample should be further strengthened in some areas, particularly finance and services, in order to make possible more accurate and more complete data on employment, hours, and earnings.

From the viewpoint of lending perspective to the estimates of total unemployment, I suggest that the Department of Labor have another try at constructing a meaningful statistical series relating to job vacancies. The concept of "vacancy" or "opening" must be carefully and consistently defined. (Just as a person is defined as unemployed only if actively seeking work, so I should define a position as "vacant" only if a firm or other organization is actively seeking to fill it.) A breakdown by industry and occupational category could be of real assistance in dealing with unemployment problems.

## EXPLANATIONS OF RECENT UNEMPLOYMENT RATES

The question is posed as to whether the gradual increase in the unemployment ratio in successive prosperous periods since World War II, particularly the rise from 1957 to 1960, is primarily structural, or due to a declining relative strength of aggregate demand. In my view, the latter explanation carries more weight because it does not appear that the pace of structural change has speeded up nor that the adaptive power of the economy has slowed down, whereas there is considerable evidence to the effect that aggregate demand has weakened in relation to productive capacity during recent years.

*Structural change*

Structural change is generally defined to include changes in technology, and in relative demand. The two factors are interrelated, of course. Technological change as reflected in productivity advance affects both real income and relative prices, which influence the composition of demand. And the new products that emerge from advancing technology induce shifts in demand.

Structural disemployment occurs when people lose jobs due to dynamic changes. The term "structural unemployment" should only be applied when there is difficulty in matching these persons with available jobs. If potential jobs do not exist, persons are unemployed for cyclical reasons, even if their loss of employment was due to structural changes. Actually, the two factors are interrelated, since the higher the levels of demand and inducements to produce the more ready employers are to hire persons and train them as necessary, and the greater the variety of job openings.

There is always a certain amount of structural unemployment, since it takes time for people to locate and adapt to available jobs. But since this type of unemployment is not susceptible to measurement, it is difficult to determine whether changes in unemployment rates were structural in origin.

Whenever unemployment increases significantly from one business cycle to the next, inevitably voices are raised blaming the increase on structural changes in the economy, generally, and on technological changes in particular. Thus, the first studies in this country of productivity by the then Bureau of Labor were initiated in the 1880's in response to charges that the depressed economic conditions and abnormal unemployment of that period were due to the substitution of machines for hand labor. Again, during the economic stagnation of the 1930's, technological unemployment was a favorite "explanation" or characterization, and the focus of the massive national research project was on this presumed problem. Despite the fact that the so-called technologically unemployed vanished during the long period of wartime and postwar prosperity, the incomplete recovery of 1960 has again raised the bogey of technological or structural unemployment.

For this thesis to have validity, periods of increased unemployment rates should be accompanied by a speeding up of structural change. So far as we can measure the important technological component of structural change by means of total productivity indexes, it appears as if there has been just the opposite relationship. (See table 1.) That is, periods of rising unemployment rates have generally been associated with less-than-average rates of technological advance as reflected in productivity gain, while rapid technological and productivity advance have characterized periods with low unemployment rates. Thus, during the great depression, there was less than average productivity advance (from 1929 to the submerged peak year of 1937). More to the point, between the first postwar cycle peaks, 1948-53, there was a much larger than average productivity increase and low unemployment, but over the next two cycles, productivity gains have been smaller and unemployment rates larger.

The reason for the inverse correlation between unemployment rates and rates of productivity change is not hard to find, for anyone acquainted with modern aggregate economic theory. Behind productivity advance lies innovation, which usually involves investment. Other things equal, the higher the rate of innovation and investment (and thus technological advance), the higher the relative level of aggregate demand. The high levels of demand not only mean more job openings, some of which will approximately match the skills and preferences of the unemployed, but high demand also provides the incentive for industry to hire less well adapted workers and train them, or even move them.

It is much closer to the truth to speak not of technological unemployment, but rather of unemployment due to a technological lag—since lagging technology is associated with inadequate levels of innovation, capital formation, and thus of aggregate demand. In this communication, "innovation" should not be confused with "invention." Even when invention is progressing satisfactorily in the sense of creating an adequate investment potential, the commercial application of inventions resulting in innovation and investment may be inadequate due to insufficient incentives to invest.

Before leaving this point, I should like to call attention to the fact that table 1 shows clearly that the rate of growth of our economy varies considerably from one cycle to the next. These variations have been called trend cycles, or long waves, by Professor Abramovitz, of Stanford University, who stresses demographic developments as an important causal factor. This helps place our recent economic history in perspective, although I do not wish to imply that we should not try to improve our growth performance when it shows signs of slowing down.

Additional evidence that contradicts the notion of technological advance as the cause of increasing unemployment is to be found in an industry-by-industry analysis. During this century it has generally been the industries with the fastest rates of technological advance, as reflected in productivity gains, that have increased employment more than average. The more progressive industries have been able to reduce relative prices, and thus increase relative sales and output more than enough to offset the labor-saving effect of productivity advance.

There have, of course, been exceptions to this tendency. In the last 25 years, for example, agriculture has been an industry with high productivity gains. But due to the low responsiveness of demand to relative price reductions and to income increases, employment has declined in this progressive industry. Conversely, the service area of the economy has increased productivity at a less than average rate; but due to a low responsiveness of consumers to relative price rises in this area, and the tendency to spend an increasing proportion of

rising incomes on services, employment has risen relatively, despite the lack of technological progress. But these cases are more than outweighed by the many progressive areas that have increased both employment of labor and absorption of capital more than the economy at large, while the technically backward industries have generally lost ground.

It is important that relative employment tends to rise, or at least does not fall in the more dynamic industries, since the changing occupational and skill requirements are usually met to the greatest possible extent by shifts and retraining within the affected companies. And given the demand, companies usually will hire new workers requiring additional education and training before they can make a productive contribution.

In concluding my remarks on structural unemployment, I should like to say that I was impressed by the additional points developed in the subcommittee study. Certainly, the geographical, industrial, and occupational mobility of workers does not appear to have declined since 1957; in fact, some of the evidence (such as the more rapid shift of workers since 1956 to white-collar jobs and to the service industries), suggests that less adequate overall demand may even tend to speed up labor mobility. The increased rates of unemployment in virtually all industrial and occupational classifications certainly indicate that the composition of the unemployed did not provide a barrier to further increase in production and employment at the levels of unemployment prevailing at the cycle peak in the spring of 1960.

Theoretical considerations also suggest that a fairly effective market-directed economy such as ours will gradually adapt the structure of labor supply to changes in the composition of demand through changes in relative wage rates acting on managements who seek to minimize costs. It is nevertheless true that an accelerated rate of change in the structure of demand unaccompanied by a corresponding increase in adaptive action (or a decline in mobility, given the same rate of structural change) can increase the average period of unemployment, and thus temporarily increase the unemployment rate. But one symptom of increased structural maladjustments and resistance to expanded output is rising wage rates and (probably) prices. Since wage rates (and prices) were rising less rapidly in 1960 than in the 1956-57 boom, this also suggests that the labor force structure was not frustrating an expansion that would otherwise have taken place.

#### *Inadequacy of demand*

With unused capacity of both labor and capital of almost all types in the spring of 1960, it is apparent that aggregate demand was inadequate to restore relatively full employment defined as the almost 96-percent employment rate that prevailed in 1957. As the subcommittee staff points up, this diagnosis is further supported by the apparently smaller number of job vacancies in 1960 than in 1957.

I should like to develop briefly what I believe to be the chief causal factor behind the inadequacy of demand in 1960. Our monetary and fiscal policies have resulted in holding price increase since 1951 below the increase in unit costs, which resulted in falling profit margins that eventually reduced investment. As shown in table 2, corporate profits before tax fell from over 15 percent of gross private product in 1950 to 10 percent in 1960. Since the rise in the total volume of invested capital has approximately kept pace with the growth of national income and product since the war, the drop in the profit ratio has also represented a drop in the rate of return on invested capital. After tax, the relative drop has been even greater, due to the reimposition of the wartime corporate profits tax rate to 52 percent following Korea. In absolute terms, corporate profits after tax were no greater in 1960 than in 1950, despite the large accumulation of capital during the decade. And retained earnings were absolutely lower, although the large absolute and relative increase in depreciation allowances have served to confine the drop in internal sources of funds to moderate proportions.

This trend is particularly significant since profits are not only the incentive to investment in our kind of economy, but retained earnings plus depreciation allowances form the chief source of funds for fixed investment. Not only has the incentive to invest and internal sources of financing fallen relatively, but the long-term cost of borrowed funds has risen. By 1960, these developments operated to prevent full recovery.

Actually, investment demand was so strong through 1957, bolstered by backlogs of deferred demand as well as by the current inducements provided by population growth, research and development outlays, etc., that the total invest-

ment volume sufficed to maintain relatively full employment. As shown in table 2, gross private fixed investment rose strongly between 1948 and 1957, and constituted 11.7 and 11.8 percent of current dollar gross product in these 2 years—ratios that compare favorably with the 1920's.

Between 1957 and 1960, however, fixed investment failed to grow in current dollars, and fell in real terms. In relation to gross product, fixed investment fell  $1\frac{1}{2}$  percentage points. This was associated with the continued down trend in profit margin, noted above. In absolute terms, after adjustment for the profit effects of the steel strike, corporate profits leveled off after the first half of 1959. By the spring of 1960, investment demand was growing so weakly that the sharp drop in inventory accumulation from the high levels that followed the settlement of the steel strike was able to push down total demand in the absence of effective governmental offsets in the form of increased expenditure, a decrease in tax rates, or a relaxation of monetary restraints.

This analysis is admittedly partial. In view of time limitations, my purpose has been to emphasize some aspects of the recent cycle that I feel have been neglected in discussions of the subject.

#### POLICY IMPLICATIONS

It is not necessary to choose between policies designed to increase aggregate demand, and those designed directly to reduce structural unemployment. Although my analysis clearly implies that priority should be given to obtaining recovery and growth of demand, policies designed to increase "structural mobility" will help in some small degree to speed economic expansions, moderate inflationary pressures, and reduces the "normal" unemployment rate. Besides, an attack on structural unemployment is a good hedge against the slight possibility that we may have overemphasized the demand factor in our analysis.

##### *Increasing demand*

To promote recovery and subsequent growth, the most important element in our type of economy is to improve the incentives for private investment in plant and equipment. Further liberalization of depreciation allowances for tax purposes by the administration will help. More directly, as soon as a cash budget surplus is in sight, possibly in 1963, a beginning should be made on a gradual reduction of the corporate income tax back to the 47-percent rate. The incentive effects of this action should be considerably greater than the immediate effect of increasing internal funds available for corporate financing. At the same time, a beginning should be made on reductions of the personal income tax, especially in the brackets where rates are abnormally high in order to increase saving, as well as consumption, and thus help accommodate the investments required for the accelerated economic growth that will be necessary in the years ahead to absorb the anticipated growth of the labor force.

Although faster labor force growth in itself will help stimulate investment, it is also essential that scientific progress and invention continue to renew the inducement to invest. To this end, continued substantial increases in Federal support for research and development are required.

Finally, I think the monetary authorities must be very careful lest increases in the long-term interest rate beyond current levels choke off the expansion of investment prematurely, and thus abort the boom. There will, of course, be increasing pressures on prices as we approach more closely "full employment." But we must have the ingenuity to devise means of containing the wage-price spiral without creating recessions as a consequence.

##### *Reducing structural unemployment*

Looking ahead to the labor market problems of the next decade, I think primary emphasis should be given to helping prepare our young people for the kinds of jobs that will be available. This means a continued increase in the proportion of our national resources devoted to public and private education, with Federal aid as necessary. In addition, liaison between the Department of Labor and the schools and colleges of the country should be increased, in order that the academic staffs and students can be kept apprised of labor market developments and opportunities. In particular, teachers and administrators in our schools should be influenced to stress to students, from grammar school on up the importance of appropriate and sufficient education and training; and all of the more able high school students should be encouraged to go on for higher education.

As further encouragement for increased private educational outlays, I suggest that outlays for higher education (where free public facilities are not available) be allowed as limited deductions for income tax purposes by parents or individuals on their own account.

With respect to training or retraining of the unemployed, I agree with the basic principle and provisions of the Manpower Development and Training Act of 1961. Only experience under such a program can tell how extensive it need be. The scope for training programs may be relatively narrow during prosperity periods. But expansion of training programs during recessions will add to our built-in stabilizers, as well as occupy a portion of the unemployed much more productively than would otherwise be the case. In one respect, I should go further than the act in recommending loans at favorable terms for the unemployed persons who qualify for and desire more extensive training or educational programs than those envisaged.

It should be recognized that only a minority of even the longer term unemployed could qualify for and take advantage of retraining programs. One reason I earlier recommended more intensive studies of the long-term unemployed was in the hope that greater information as to their problems would suggest other ways in which they may be helped to help themselves. In the meanwhile, time is on our side. It is likely that within a year or so the current recovery will reduce the unemployment rate to 4.5 percent or less.

TABLE 1.—Unemployment rates and rates of change in selected variables at and between peak years of business—U.S. private domestic economy

[Percentages]

Peak years of reference cycle	Rate of civilian unemployment	Average annual rates of change from previous peak				
		Productivity		Man-hours employed	Real product	Average prices
		Total factor	Man-hours			
1890.....	5.1					
1892.....	4.1	2.7	4.0	2.9	7.0	-2.7
1895.....	6.9	0	.9	.4	1.3	-2.1
1899.....	4.6	1.5	1.9	2.7	4.7	1.0
1903.....	2.6	.9	1.7	3.2	4.9	2.0
1907.....	1.8	1.8	2.3	2.4	4.8	2.6
1910.....	5.9	-.5	.1	1.2	1.3	1.8
1913.....	4.4	1.8	2.4	1.9	4.4	1.4
1918.....	1.4	.6	1.4	1.1	2.5	11.7
1920.....	4.0	2.0	2.8	-1.0	1.8	6.8
1923.....	3.2	3.5	3.9	1.5	5.4	-6.4
1926.....	1.9	2.0	2.3	1.5	3.9	.2
1929.....	3.2	1.5	2.1	.7	2.8	-.5
1937.....	14.3	1.6	1.6	-1.5	.1	-1.9
1944.....	1.2	3.8	4.3	2.7	7.1	4.7
1948.....	3.8	-.3	.7	-.5	.1	6.7
1953.....	2.9	2.7	4.0	.3	4.4	2.1
1957.....	4.3	1.9	2.8	0	2.8	2.1
1960 <sup>1</sup> .....	5.3	1.9	2.4	-.3	2.6	1.5

<sup>1</sup> Preliminary.

Source: Rates of change based on estimates contained in John W. Kendrick, "Productivity Trends in the United States," as extended by the author for the National Bureau of Economic Research. Estimates of unemployment rates since 1929 by Bureau of Labor Statistics, Department of Labor (new concept since 1947); extension to 1900 by Stanley Lebergott and to 1890 by John W. Kendrick.

TABLE 2.—*Corporate profits, fixed investment, and related series—U.S. private domestic economy*

BILLIONS OF DOLLARS

Year	Gross product	Corporate profits		Internal sources of funds			Gross private fixed investment		Aaa bond yields (Moody's) (percent)
		Before tax	After tax	Retained earnings	Depreciation	Total	Current prices	1954 prices	
1948.....	241.0	33.0	20.5	13.3	6.3	19.6	28.2	34.0	2.8
1950.....	262.6	40.6	22.8	13.6	7.9	21.5	29.1	33.2	2.6
1953.....	332.3	38.3	18.1	8.9	12.0	20.9	36.1	36.5	3.2
1957.....	401.6	43.2	22.3	9.7	19.3	29.0	47.5	41.1	3.9
1960.....	454.8	45.0	22.7	8.6	23.3	31.9	47.1	38.7	4.3

PERCENTAGES OF GROSS PRODUCT

1948.....	13.7	8.5	5.5	2.6	8.1	11.7	12.6	-----
1950.....	15.5	8.7	5.2	3.0	8.2	11.1	11.4	-----
1953.....	11.5	5.4	2.6	3.6	6.2	10.9	10.9	-----
1957.....	10.8	5.6	2.4	4.8	7.2	11.8	11.0	-----
1960.....	9.9	5.0	1.9	5.1	7.0	10.4	9.6	-----

Source: Office of Business Economics, U.S. Department of Commerce.

Senator PROXMIRE. Mr. Long.

### STATEMENT OF CLARENCE D. LONG, PROFESSOR OF ECONOMICS, THE JOHNS HOPKINS UNIVERSITY

Mr. LONG. I have made the title of my remarks in the form of a question: Is structural unemployment real or fancied?

These hearings seek to discover whether our unemployment statistics are accurate, and, if so, whether the currently high levels of unemployment have been due to structural changes or to insufficient spending.

The official unemployment statistics in the United States are based on monthly interviews of a sample of 35,000 households, chosen to be a cross section of the whole population.

Do these statistics overstate the unemployment problem?

There can be no ideal measure of unemployment: First, because we can never entirely agree on what unemployment really is, since it is partly a matter of philosophy; and, second, because there are practical difficulties in applying a precise concept to what is to some extent a state of mind. Often, the unemployed person himself does not know whether he is unemployed.

From one point of view, the official estimates may overstate the problem, by counting as unemployed some persons without jobs who are temporarily ill or who do not want full-time work, some who do not really want work at all or who insist on wages in excess of their productivity; and some whom the measures of other countries, for example, Britain, would partly exclude: voluntary quits, some married women, elderly men, new entrants or reentrants to the labor force, or self-employed persons.

From another point of view, however, unemployment may be understated. Official unemployment does not include some persons working less than a full-time week though desiring full time; others dis-

couraged into leaving or staying out of the labor force; nor still others with a job but not working at it, because of bad weather, strike, vacation, or personal reasons—all conceivably, although not necessarily, related in some degree to economic conditions.

Many of these groups, however, turn out on examination to be quantitatively small or to cancel each other. In some cases, the grounds for including or excluding them would not be economically valid. All things considered, our official unemployment statistics are a fairly good general reflection of the current number of persons who are willing and able to work but are without gainful employment. They may also be said to reflect with reasonable accuracy the recent rise of unemployment during prosperity. No substantial liberalization of the unemployment concept has been made since the end of World War II, and the improvements made in the measurement technique have been as likely to eliminate persons not genuinely unemployed as to include undue numbers. In any case, the recent increase in prosperity unemployment is supported by independent statistics based on unemployment insurance records and on firm payrolls, so far as employment is concerned.

If the recent unemployment problem is what the figures show it to be, has it been due to structural changes in the labor market or to a deficiency of aggregate demand?

This is the second question which has been posed by the subcommittee.

Now, considerable attention has been given in recent years to the increase in the burden of unemployment on the colored worker, the blue collar or manual worker; on the worker in manufacturing, construction, and mining; on the long-duration unemployed, and above all, on the poorly educated.

Recent studies have questioned these structural changes. A study paper of this subcommittee concludes that there has been no significant change in the structure of unemployment since 1957; that the greater rise in unemployment of the manual worker or the worker in commodity-producing industry is the kind that occurs when total unemployment increases.<sup>1</sup>

A paper prepared for the American Economic Association meeting (December 1961) suggests that this apparent structural unemployment will disappear when total unemployment subsides.<sup>2</sup>

What can we say to these arguments?

The question whether structural unemployment has been increasing—apart from changes in total unemployment—can be settled by comparing the unemployment rates of various classes of workers between years in which the total unemployment rate was the same. Such a comparison can be made between 1949–50, when the unemployment rate averaged 5.6 percent and 1959–60 when the average unemployment rate was also 5.6 percent. Labor force participation rates were also virtually the same: 58.2 percent in 1949–50 and 58.3 percent in 1959–60. This comparison between averages a decade apart yields the following results:

<sup>1</sup> "Higher Unemployment Rates, 1957–60: Structural Transformation or Inadequate Demand." Subcommittee on Economic Statistics of the Joint Economic Committee, Congress of the United States, Washington, 1961, pp. 5–15.

<sup>2</sup> R. C. Wilcock and Walter H. Franke, "Will Economic Growth Solve the Problem of Long-Term Unemployment?" Mimeographed, University of Illinois, pp. 4, 7.

Unemployment rates rose for Negroes, for the average of manual, unskilled, and domestic service occupations, and for the poorly educated males; while they fell for whites, for the average of professional, skilled, clerical, sales, and nondomestic service occupations, and for better educated males.

The average duration of unemployment lengthened markedly, and the proportion of persons whose unemployment had lasted longer than 26 weeks rose, while the share of the short-duration unemployed fell.

The occupational composition of employment altered drastically; while total employment in the manual, unskilled, and domestic service occupations fell by over 1 million, the total in the professional, white collar, skilled, sales, service, and clerical occupations rose by 8½ million. The proportion of males in the labor force fell from 72 to 69 percent, while the proportion of females rose accordingly.

The not-in-labor-force rates of Negroes and of poorly educated persons rose substantially; while those of whites and the well educated rose little, remained the same, or fell. Thus, there have been marked changes in the structure of unemployment, employment, and labor force, independent of the total level of unemployment.

Nevertheless, I am inclined to agree with the subcommittee paper, that the *changes* in structure since 1957 have not been enough in themselves to account for the increase in the level of unemployment from 4.2 percent in 1957, to 5.6 percent in 1960, or to 6.8 percent throughout most of 1961. Some of the increases must be accounted for on other grounds, grounds which need not, however, exclude a role for structure during this period.

The subcommittee study urges that the explanation must lie in a deficiency of aggregate demand. It sets forth no satisfactory criteria of this deficiency, its main implication being that, if structural changes in unemployment have not been greater since 1957 than before, then the only explanation left is a deficiency of demand. But it does note that the increase of gross national expenditure during 1957-60 was less than it had been during 1947-53 or 1953-57.

This demand explanation runs into difficulties of its own. First, during 1957-60 gross national expenditure in current dollars rose at the annual rate of 4.5 percent—more than the rise of 3 percent in gross national capacity.

We have computed gross national capacity by assuming that the unemployed people would be as productive, if they were employed, as the employed people. On the other hand, if we assume that the extra unemployed in 1960, compared with 1957, were three times as productive as the employed, then you get a 4 percent annual rise in gross national capacity. Either way, capacity rose less than gross national expenditure during this period.

The excess of the increase of expenditure over capacity was absorbed by an annual rise of 0.6 percent in wholesale prices and 1.7 percent in consumer prices—increases consistent with the explanation that structural defects and frictions prevented full utilization of capacity, despite a demand that would have been adequate to do this had costs and prices stayed constant.

It can, of course, be argued that the statistics are not reliable: that the price rise was overstated and the capacity rise understated.

But if this is so, why the deficits since 1957 in our international balance of payments? Exports, especially of finished manufactures,



have declined slightly in both quantity and value, suggesting increased difficulty in selling to the foreigner (who cares nothing about our statistics, only about whether our exports are good values compared with what he can get elsewhere). At the same time, imports of finished manufactures rose 13 percent between 1957 and 1960. This rise of imports does not suggest a deficiency of spending—only spending on foreign instead of domestic goods and labor.

So far, neither the structural nor the demand explanation seems sufficient by itself to account for the upward creep of unemployment since 1957. In order to explain the events of this period, as well as those of the previous decade, we must, I feel, consider structure operating as a spring pressing upward on unemployment, and aggregate demand as a weight holding unemployment down. Creeping or structural unemployment can always be held down by sufficiently large increases in aggregate spending but of course at the expense of inflation or of deficits in the international balance of payments.

Why did unemployment creep up only slightly during 1947-57, when there were marked structural changes in the labor market? The explanation may be that it was largely held down by heavy inflationary increases in gross national expenditure—7.8 percent annually during 1947-53, compared to the 4.6-percent annual increase in capacity gross national product and 5 percent annually during the 1953-57 period compared to the 2.8-percent rise of capacity gross national product. In the first period, wholesale prices rose by 2.4 percent, consumer prices by 3.1 percent. In the second period, wholesale prices rose by 1.7 percent, consumer prices by 1.3 percent.

During those two earlier periods, it can be argued, foreign productivity had not yet caught up to American, so that foreign goods were not yet competitive and aggregate demand in this country suffered little net leakage into foreign imports.

Why did unemployment creep up during 1957-60, despite an excess of increase of spending over capacity? Increased spending was adequate to buy the output of increased capacity had prices stayed constant. But it was not great enough to offset two major factors:

First, a rise of prices and wages—due partly to structural deficiencies in the labor supply, partly to wage-price pushes continually being exerted by unions, monopolies, Government regulatory agencies, tax increases, minimum wage increases, and increases in social insurance and welfare benefits.

Second, increasing merchandise imports and decreasing merchandise exports—due possibly to structural deficiencies in the American economy which may have prevented our unit labor costs, prices, and quality of goods from staying in line with those of recovering Europe and Japan.

What can we conclude from the foregoing analysis?

First, that our unemployment statistics do not grossly misrepresent either the level or the rate of change of unemployment.

Second, that there have been marked structural changes in unemployment, employment, and labor force, of the kind that cannot be entirely eliminated by reducing total unemployment.

Third, that both structure and demand must be called upon to explain the events of the last decade and a half, during which the upward pressure of structural changes on unemployment have at some

times possibly been held down by heavy increases of aggregate demand, and at other times been released when aggregate demand slowed its increase (without being deficient in an absolute sense).

Fourth, that the problem of structure is not confined to unemployment alone. It is tied up with problems of the structure of wages relative to the structure of labor efficiency, and with problems of business monopoly, Government pricing, taxation, and so on.

Fifth, that neither our domestic structure of unemployment and labor force, nor our domestic aggregate demand, can be considered without reference to the structure and the demand of other nations. It would be interesting to inquire why unemployment rates have crept upward in such nations as the United Kingdom, Canada, France, Norway, and Finland; and why they have shown no upward creep, even a downward drift, in such nations as West Germany, Japan, Italy, Sweden, Switzerland, Denmark, and the Netherlands. In general, the nations which have shown the best employment records have been the nations which have enjoyed the most recent increase in sales to the United States. Have there been structural changes relative to demand changes in some of these countries but not in others?

If the great debate concerning the nature and causes of unemployment has revealed anything, it is that the unemployment problem is far more complicated than anything dreamed of in the philosophies of either neoclassical or Keynesian economics.

Senator PROXMIRE. Thank you very much, Mr. Long.  
Professor Reynolds.

#### STATEMENT OF LLOYD REYNOLDS, PROFESSOR OF ECONOMICS, YALE UNIVERSITY

Mr. REYNOLDS. I would like to comment briefly on three points: First, the significance of the unemployment rate as an indicator of unused economic capacity; second, the problem of distinguishing between unemployment due to insufficient demand and unemployment due to functioning of the labor market; third, I shall hazard an opinion on the reasons for the present level of unemployment, but I shall not be able to document this from the evidence now available.

(1) The significance of the full-time unemployment rate. What does an unemployment rate of 7 percent mean? Let us say for purposes of argument that we consider a 3-percent rate as representing full employment.

Does this mean that output can be raised only 4 percent before we hit the full employment ceiling? By no means.

Output under these conditions can probably be raised by 10 percent or more. Also output can be raised a good deal without affecting the visible unemployment rate at all.

There are three main reasons why this is so: first, in slack times many people are kept on the payroll but simply do less work.

If a store's business drops off 10 percent, it may not fire any clerks, and if business picks up by 10 percent it will not need to add any.

In many types of activity, and to an increasing extent even in manufacturing, labor is becoming an overhead cost. The gradual increase in the percentage of white-collar employees and the reduction of blue-collar employees strengthens this trend.

Second, in slack times many people are forced to work part time or, more precisely, to work fewer hours than they would like to work. I note that in September 1961, there were slightly over 4 million totally unemployed. At the same time, there were 2.8 million working part time for economic reasons.

As conditions improve, hours of these people can be increased. Average weekly hours of work are one of the best leading indicators in the National Bureau of Economic Research system of business cycle indicators.

Finally, I believe there is a tendency for some people to drop out of the labor force, to stop actively seeking work in slack times because of a belief that jobs are unavailable, and as activity recovers, the labor force can be increased somewhat simply by greater availability of jobs.

This is hard to test statistically, but it has always seemed to me a reasonable hypothesis.

So what happens over the course of a business cycle? On the downswing, the capacity gap between available labor resources and utilized labor resources rises much faster than the rate of full-time employment. The unemployment rate, if you like, gives an unduly optimistic picture of what is happening on the downswing.

Conversely, during recovery the full-time unemployment rate gives an unduly pessimistic picture, for the use of labor may rise substantially by the three routes I have suggested before the full-time unemployment rate has dropped very much.

The full-time unemployed represent in some measure the least preferred groups in the labor force, the people in the least advantageous market position.

The rehiring of these people is the last thing that will happen during an upswing, and the number who are rehired gives us some indication of the strength of the upswing.

The 1959-60 recovery seems clearly to have been a weak boom which petered out before approaching the full capacity level. This is indicated both by the high percentage of full-time unemployed at the 1960 peak, and by the relatively small number of unfilled vacancies at employment service offices.

(2) Let me turn next to the distinction between normal or frictional unemployment and cyclical unemployment. It is technically impossible for everybody to be working all of the time. There are always people unemployed between jobs. Hence, we speak of normal or frictional or minimum unemployment which would exist even with adequate total demand. I do not think, incidentally, that the term "structural" adds anything to the argument, and I propose to use the traditional term "frictional" for this kind of unemployment.

Any unemployment in excess of this, which presumably does arise from deficiency of demand, is usually called cyclical. These are the only two kinds of unemployment there are for my money except for the seasonal slackness which exists in certain kinds of industry.

I shall point out in a moment that this distinction between frictional and cyclical unemployment is not really tenable, but let us accept it as a beginning. How are we to interpret the fact that the level of unemployment at cycle peaks seems to have risen over the past decade?

In 1953 unemployment got down below 3 percent. In 1957 it remained slightly above 4 percent, and in 1960 it remained about 5 per-

cent. Did the economy hit full employment at each of these peaks but has the meaning of full employment, perhaps, changed in the meantime?

Have structural changes in the economy produced a secular rise in frictional unemployment so that we now hit the full employment level with fewer people employed than before?

In order for frictional or structural unemployment to have increased, one of three things must have happened:

One, relatively more people might have been coming into the labor market as jobseekers. This would have to be calculated as the number of people coming into the market per month or per year as a percentage of the labor force.

Since any jobseeker is unemployed for some finite period of time this would, other things equal, increase the unemployment rate.

I would note here that automation and displacement of people through mechanization has been rather oversold. I think the people coming into the labor market on this account are a minor part of the total picture. A great many people come into the market each year just because they are growing up because they reach the age at which they normally seek employment.

Many others change jobs for voluntary reasons, and there are many reasons other than mechanization for people being displaced from jobs; a shift of product demand, rise or fall of particular companies, locational changes, and the rest.

Now, if it could be shown that one or more of these things had speeded up relative to earlier decades, this would be significant. But if the relevant evidence has been assembled, I have not seen it.

Second, the labor market mechanism may have deteriorated so that jobs are found more slowly than before. How quickly people get placed is undoubtedly affected by the adequacy of information channels, the availability of central employment exchanges, aids to geographical movement, and the like.

One would normally expect these things to be improving over the course of time, but the opposite could conceivably occur.

Third, one might find a lower propensity of unemployed workers to accept new jobs which require a change in location, skill, or wage level. One might call this reduced mobility of labor. I use the term "propensity" to emphasize the worker's state of mind. Actual movement of labor, as recorded statistically, reflects opportunity for movement as well as propensity to move.

More people for the labor market to handle, reduced efficiency of the labor market mechanism, reduced propensity of workers to move—these seem to exhaust the possibilities for an increase in frictional unemployment.

But there is the complication that these things cannot be isolated from the level of demand for labor. As demand rises, fewer people are displaced from their jobs. Those who are available are snapped up faster, people become more willing to move in search of work, and so on.

By pushing demand high enough, there is no doubt that unemployment can be reduced to very low levels. During World War II we got down, I believe, to something like 1 percent of the labor force being unemployed. This is at the expense, of course, of increased pressure on the price level, and so one faces the familiar tradeoff

between unemployment and inflation. In principle, one can choose less unemployment and more inflation, or vice versa.

What one chooses to call the level of full employment thus depends on one's view of the tolerable rate of increase in the price level, and since we get frictional unemployment by subtracting full employment from the labor force, this also depends on one's policy outlook.

The level of frictional unemployment is thus not really a fact. It is a judgment. This introduces a fourth way in which the level of frictional unemployment might rise. The community's tolerance of inflation may diminish, and it may select a course of involving more unemployment than before. We would then have to regard a higher level of unemployment as normal in these circumstances.

This would, of course, be a political change rather than a change in the operation of economic institutions. And to call this higher unemployment structural, I think, would be simply confusing.

(3) Now, as to what has actually happened. The reason I have dealt mainly in ideas is that I have not looked exhaustively into the facts, and many of the relevant facts have not even been assembled.

We certainly know much more than we did in, say, 1940, about how many people are fully or partially unemployed, and who these people are, by age, sex, occupation, region, and so on.

I would like, incidentally, to express my belief in the competence and objectivity of the Government statisticians working on these matters. It is too bad that their work is sometimes subjected to uninformed as well as unfair criticism.

It is when we come to the why of unemployment that factual statements become hazardous. I am going to express some guesses anyway, with a warning that they could possibly be wrong.

I would judge that the three reasons I gave for a possible increase in frictional unemployment were not actually very important during the 1950's. I doubt that people have been job hunting in abnormal numbers, or that the labor market mechanism has deteriorated, or that workers' resistance to changed conditions has increased markedly.

What has mainly happened is that booms have been getting successively weaker. The upswing of 1954-57 was not as vigorous as that of 1950-53; and the 1958-60 upswing was quite a weak boom, indeed.

It may be that the recent upswings were potentially more vigorous and were cut short by too early or too strong a dose of monetary restriction or, I might add, conceivably by unwise wage and price increases.

But I suspect the trouble lies deeper than this, and here I believe I agree with the general tenor of the comments preceding mine. I suspect that one of the long waves in our economic growth which have been documented by Kuznets, Abramovitz, and others, may be cresting over.

The very strong momentum generated during the 1940's may be tapering off, and the economy may be running increasingly out of steam. I obviously cannot demonstrate that this is so, and if it should prove to be so, I would not be able at this point to say why.

So let me conclude by simply expressing my judgment that we do have a problem of insufficient total demand. It would, I think, be quite unwise to shrug this off by assigning responsibility for re-

cent high levels of unemployment either to shifts in the composition of demand or to structural characteristics of the labor market.

Senator PROXMIRE. Thank you very much, Mr. Reynolds.  
Mr. Samuelson.

**STATEMENT OF PAUL A. SAMUELSON, PROFESSOR OF ECONOMICS,  
MASSACHUSETTS INSTITUTE OF TECHNOLOGY**

Mr. SAMUELSON. Mr. Chairman, I am very glad to be here. I would like to state that the views I express are personal, and do not commit the Massachusetts Institute of Technology or anybody else.

By way of introduction, let me say that the gentlemen on my right have not all said the same thing, but somehow or other I managed to be in agreement with all of them. I will elaborate on this point in a few minutes.

First, however, it ought to be noted that recently there have been attacks on our unemployment statistics. These attacks have been very severe. It has been alleged that the statistics are intentionally misleading, that they are inaccurate and essentially worthless. As a professional student of the subject I want to state the view that most of these attacks are uninformed, some of them are malicious, and none of them possesses professional and scientific objectivity. In light of recent attacks in popular publications this view cannot be stated strongly enough.

Now, having said that, there is certainly a realm of professional criticism of our unemployment statistics. These criticisms are essentially minor matters, but it would be ridiculous to think we could improve upon the present situation. Your hearings have shown that.

I would also like to remind you that things could be worse. I remember my first venture into this field came at a time when we had no unemployment statistics, that is, we had no unemployment statistics except census data. The attempts that we made to estimate monthly unemployment were pitiful.

We tried a post card survey at a time in 1937 when the situation was changing so rapidly that the Monday returns were literally not comparable to the Friday returns.

In the days before the current unemployment series was developed, the National Industrial Conference Board, doing the best job it could do, once showed negative unemployment for a certain number of months. It is hard to imagine what a man who does not exist is doing being unemployed. But in those days, it was necessary to develop independent estimates of the labor force and of employment, and if it turned out that one of the estimates went higher than the other, and this was possible, that is what you had to report.

So although the situation is far from perfect, it is very much better than it used to be. In fact, I would say the statistics on unemployment that the Government and certain private organizations collect and analyze and release are among the most valuable statistics that we possess.

Now, I will briefly mention a number of technical improvements or experiments that might be made to make our unemployment statistics even more valuable. I shall be very brief here because I believe a pro-

fessional committee has been officially appointed to look into the matter, and they will be reporting, no doubt, very soon.

First, the size of the sample might be enlarged. I think this is a matter of very low priority. Thirty-five thousand may seem like a very small number but in terms of sampling reliability it is a very large number.

I have personally experienced one example of the uninformed criticism which is prevalent on the subject of sampling reliability. I received a clipping from a small town newspaper in New England congratulating me for being a man of courage because I had dared to reveal that the Government's unemployment statistics are based upon a random sample. The emphasis being on random, it sounded a little bit unsomber or staggering or wondering. Well, as far as statistical sampling reliability is concerned, increasing the size of the sample is a matter of very low priority. As has been mentioned, however, an enlargement of the sample would enable us to obtain more data and more reliable data on subcells and subcategories of employment and unemployment.

I can think of another possible change, again an item with very low priority. The sample might be spread over several weeks of the month instead of one for the purpose of reducing the impact of snowstorms and other such occurrences on the data.

I would not myself recommend such changes, but if competent statistical authority thought it would be a good idea, I would immediately approve of it.

Quite a number of experiments might be conducted with controlled samples to test the variation responses that can be elicited by the different forms in which questions can be asked, and by different concepts that give rise to different questions. These experiments should be conducted with control samples, and not with the sample on which the published unemployment rate is based. We know from experience that if interrogators say, "you were out of a job, weren't you," or if they say "you weren't out of a job, were you," that this type of difference in phrasing can create a statistically significant discrepancy in the answers.

The only important thing about any of these yardsticks is that they be maintained in a consistent fashion over time so that variations in the data reflect variations in the underlying facts. I believe it is the testimony of competent authorities that the variations in the unemployment rate, as reported, do reflect true variations in the facts themselves.

All of these controlled experiments would involve extra funds, and I think such funds would be very well spent.

We could have—this is a very minor problem, but it has been of some importance in the last few months—some further investigations of the seasonal adjustments of unemployment that have been made.

I happen to be of the opinion that the official seasonal adjustment process, used by the BLS, could be improved upon, and I think that the November figures provide some confirmation of this viewpoint. However, I would wait to hear from the committee looking into this matter to see what their recommendations would be.

More money could be spent, and more thought could be spent, on studies of the commensurability between our measures of employment and those of other nations. Everybody who is informed knows that

a 7-percent unemployment rate in the United States does not mean the same thing as a 7-percent unemployment rate in Sweden or in the United Kingdom. However, there is a great deal of misinformation about the magnitude of the discrepancies. We have to make some guesses, but with additional research, these guesses could be made in a more informed manner.

In summary the unemployment statistics are relatively good. They could be improved upon, but they will be improved upon only if more manpower is made available in this area.

Now, let me turn to the problem of substance. One often meets the notion that in addition to the problems of cyclical unemployment, and of unemployment that will respond to the expansion of demand stimulated by fiscal and monetary policies, there is also some other kind of unemployment which may not be helped very much in the short run by a growth in demand.

Sometimes this is called structural unemployment or frictional unemployment; the fact that the name exists does not always tell us that a condition exists which corresponds in a one to one relationship with the name. But I shall be vague on this matter. I think the notion that there are kinds of unemployment which are not related in the short run to variations in effective demand is essentially a correct one.

But it is quite wrong to confuse the above correct position which, I may say, is an innocuous position, with the notion that most or all of the increase in unemployment between recent cyclical peaks in business activity, such as you would get by comparing the 1960 rate and the 1957 rate with the 1953 rate or any other comparison you might choose to make, that this increased unemployment is due to an increase in structural unemployment which is unrelated to demand.

Now, the available evidence cannot be conclusive on this matter without further analysis and data collection. But the preponderance of existing evidence and analysis that I have seen, and I have looked for all that there is, suggests to me that only a minor part of the increase in unemployment can be considered to be independent of the adequacy of overall demand. I think there may be a misstatement in my prepared piece on that point.

I go back, if I may be personal, to the testimony of the Council of Economic Advisers before the Joint Economic Committee in the spring. There it was said, and there was an elaboration with statistical appendix to back this up, that most of the increase in unemployment could be attributed to the state of demand and not to a growth in the amount of structural unemployment. This may have surprised some of the committee members, I do not recall.

The next day the Chairman of the Federal Reserve System testified and he seemed to be stating the contrary to this. One of his interrogators pointed out the discrepancy to him and, as I recall, he said that it was not necessarily an intentional one, that he had not had a chance to see the previous statement. Then it was suggested to him that he go home and do his homework and either reconcile his position or explain the discrepancies.

Now, at this point the public record becomes clouded, but from what I read in the Wall Street Journal, I gather that there was a meeting in the White House, and the Council and the Chairman of the Federal Reserve System went in, and the President presumably had his flag



flying and was there that day, and they came out and it turned out that there was really no essential disagreement at all; it had only been a matter of emphasis.

Well, I think that the difference in emphasis is a very important one, and I want to state what my research in the matter suggests to me, namely, that the increase in unemployment has not been due primarily to structural reasons in the usual sense of the word "structural." The issue is complicated by a fact which has been brought up by Mr. Long, that even if there were zero structural unemployment, as I like to define structural unemployment, thinking of people in West Virginia, thinking of people for whose skills there are no longer any demands, even if that problem did not exist, I believe there might still be in our present-day economy a tendency for wages and prices to rise for cost-push or seller-inflation reasons, even before we got to the desirable social goal of full employment; and I would hesitate to call or to blame that situation upon structural unemployment in the usual sense of the word.

So I would want to have a trichotomy rather than Mr. Long's dichotomy. He spoke of structural versus demand. I want to distinguish between structural and demand also an institutional situation in which there seems to be cost-push or seller's inflation mechanisms at work.

In the professional literature this can be pinned down very quickly by referring to the so-called Phillips curve. The Phillips curve is a relationship of an empirical and sometimes theoretical type between the unemployment rate and the percentage increase in money wages or the percentage increase in prices, which are not the same thing. With your permission, I would like to put into the record a joint article written a couple of years ago by myself and Prof. Robert Solow in which some of the statistical data relevant to a Phillips curve for the United States is presented. (Reprinted from the *American Economic Review*, May 1960.)

Senator PROXMIRE. We will be very happy to have that for the record. I must say we would need it to understand the Phillips curve.

(The document referred to follows:)

#### PROBLEM OF ACHIEVING AND MAINTAINING A STABLE PRICE LEVEL

##### ANALYTICAL ASPECTS OF ANTI-INFLATION POLICY

(By Paul A. Samuelson and Robert M. Solow, Massachusetts Institute of Technology)

### I

Just as generals are said to be always fighting the wrong war, economists have been accused of fighting the wrong inflation. Thus, at the time of the 1946-48 rise in American prices, much attention was focused on the successive rounds of wage increases resulting from collective bargaining. Yet probably most economists are now agreed that this first postwar rise in prices was primarily attributable to the pull of demand that resulted from wartime accumulations of liquid assets and deferred needs.

This emphasis on demand-pull was somewhat reinforced by the Korean war runup of prices after mid-1950. But just by the time that cost-push was becoming discredited as a theory of inflation, we ran into the rather puzzling phenomenon of the 1955-58 upward creep of prices, which seemed to take place in the last part of the period despite growing overcapacity, slack labor markets, slow real growth, and no apparent great buoyancy in overall demand.

It is no wonder then that economists have been debating the possible causalities involved in inflation: demand-pull versus cost-push; wage-push versus more general Lerner "seller's inflation"; and the new Charles Schultz theory of "demand-shift" inflation. We propose to give a brief survey of the issues. Rather than pronounce on the terribly difficult question as to exactly which is the best model to use in explaining the recent past and predicting the likely future, we shall try to emphasize the types of evidence which can help decide between the conflicting theories. And we shall be concerned with some policy implications that arise from the different analytical hypotheses.

*History of the debate: The quantity theory and demand-pull.*—The preclassical economists grew up in an environment of secularly rising prices. And even prior to Adam Smith there had grown up the belief in at least a simplified quantity theory. But it was in the neoclassical thought of Walras, Marshall, Fisher, and others that this special version of demand determination of the absolute level of money prices and costs reached its most developed form.

We can oversimplify the doctrine as follows. The real outputs, inputs, and relative prices of goods and factors can be thought of as determined by a set of competitive equations which are independent of the absolute level of prices. As in a barter system, the absolute level of all prices is indeterminate and inessential because of the "relative homogeneity" properties of these market relations. To fix the absolute scale factor, we can if we like bring in a neutral money. Such money, unlike coffee or soap, being valued only for what it will buy and not for its intrinsic utility, will be exactly doubled in demand if there is an exact doubling of all prices. Because of this important "scale homogeneity," fixing the total of such money will, when applied to our already determined real system of outputs, factors, and relative prices, fix the absolute level of all prices; and changes in the total of such money must necessarily correspond to new equilibria of absolute prices that have moved in exact proportion, with relative prices and all real magnitudes being quite unaffected.<sup>1</sup>

As Patinkin and others have shown, the above doctrines are rather oversimplified, for they do not fully analyze the intricacies involved in the demand for money; instead they ignore important (and predictable) changes in such proportionality coefficients as velocity of circulation. But by World War I, this particular, narrow version of demand-pull inflation had more or less triumphed. The wartime rise in prices was usually analyzed in terms of rises in the overall money supply. And the postwar German inflation was understood by non-German economists in similar terms.

But not all economists ever agree on anything. Just as Tooke had eclectically explained the Napoleonic rise in prices partially in terms of the war-induced increase in tax, shipping, and other costs, so did Harold G. Moulton and others choose to attribute the World War I price rises to prior rises in cost of production. And it is not without significance that the great neoclassical Wicksell expressed in the last years of his life some misgivings over the usual version of wartime price movements, placing great emphasis on movements in money's velocity induced by wartime shortages of goods.

Of course, the neoclassical writers would not have denied the necessary equality of competitive costs and prices. But they would have regarded it as superficial to take the level of money costs as a predetermined variable. Instead, they would argue, prices and factor costs are simultaneously determinable in interdependent competitive markets; and if the level of overall money supply were kept sufficiently in check, then the price level could be stabilized, with any increases in real costs or any decreases in output being offset by enough backward pressure on factor prices so as to leave final money costs and prices on the average unchanged.

Many writers have gone erroneously beyond the above argument to untenable conclusions such as the following: A rise in defense expenditure matched by, say, excise taxes cannot raise the price level if the quantity of money is held constant; instead it must result in enough decrease in wage and other factor costs to offset exactly the rise in tax costs. Actually, however, such a fiscal policy change could be interpreted as a reduction in the combined public and private thrifti-

<sup>1</sup> But as Hume had early recognized, the periods of rising prices seemed to give rise to at least transient stimulus to the economy as active profit seekers gained an advantage at the expense of the more inert fixed-income, creditor, and wage sectors. The other side of this Hume thesis is perhaps exemplified by the fact that the post-Civil War decades of deflation were also periods of strong social unrest and of relatively weak booms and long periods of heavier-than-average depressions—as earlier National Bureau studies have suggested

ness; with  $M$  constant, it would tend to swell the volume of total spending, putting upward pressure on interest rates and inducing a rise in money velocity, and presumably resulting in a higher equilibrium level of prices. To roll back prices to their previous level would take, even within the framework of a strictly competitive neoclassical model, a determined reduction in previous money supply. (This illustrates the danger of going from the innocent hypothesis, that a balanced change in all prices might in the long run be consistent with no substantive changes in real relations, to an overly simple interpretation of a complicated change that is actually taking place in historical reality.)

While the above example of a tax-induced price rise that takes place within a strict neoclassical model might be termed a case of cost push rather than demand pull, it does not really represent quite the same phenomena that we shall meet in our later discussion of cost push. This can perhaps be most easily seen from the remark that, if one insisted on holding prices steady, conventional demand reduction methods would work very well, within the neoclassical model, to offset such cost push.

*Demand pull à la Keynes.*—Aside from the neoclassical quantity theory, there is a second version of demand pull associated with the theories of Keynes. Before and during the great depression, economists had become impressed with the institutional frictions and rigidities that made for downward inflexibilities in wages and prices and which made any such deflationary movements socially painful. Keynes' "General Theory" can, if we are willing to oversimplify, be thought of as a systematic model which uses downward inflexibility of wages and prices to convert any reduction in money spending into a real reduction in output and employment rather than a balanced reduction in all prices and factor costs. (This is overly simple for at least the following reasons: in the pessimistic, depression version of some Keynesians, a hyperdeflation of wages and prices would not have had substantive effects in restoring employment and output, because of infinite elasticity of liquidity preference and/or zero elasticity of investment demand; in the general form of the "General Theory," and particularly after Pigou effects of the real value of money had been built in, if you could engineer a massive reduction in wages and costs, there would have been some stimulating effects on consumption, investment, and on real output; finally, a careful neoclassical theory, which took proper account of rigidities and which analyzed induced shifts of velocity in a sophisticated way, might also have emerged with similar valid conclusions.)

While the Keynesian theories can be said to differ from the neoclassical theories with respect to analysis of deflation, Keynes himself was willing to assume that attainment of full employment would make prices and wages flexible upward. In "How To Pay for the War" (1939), he developed a theory of inflation which was quite like the neoclassical theory in its emphasis upon the demand pull of aggregate spending even though it differed from that theory in its emphasis on total spending flow rather than on the stock of money. His theory of "demanders' inflation" stemmed primarily from the fact that Government plus investors plus consumers want, in real terms among them, more than 100 percent of the wartime or boomtime available producible output. So prices have to rise to cheat the slow to spend of their desired shares. But the price rise closes the inflationary gap only temporarily, as the higher price level breeds higher incomes all around and the real gap reopens itself continually. And so the inflation goes on, at a rate determined by the degree of shifts to profit, and rapidity and extent of wage adjustments to the rising cost of living, and ultimately by the extent to which progressive tax receipts rise enough to close the gap. And, we may add, that firmness by the central bank in limiting the money supply might ultimately so increase credit tightness and so lower real balances as to bring consumption and investment spending into equilibrium with available civilian resources at some higher plateau of prices.

*Cost-push and demand-shift theories of inflation.*—In its most rigid form, the neoclassical model would require that wages fall whenever there is unemployment of labor and that prices fall whenever excess capacity exists in the sense that marginal cost of the output that firms sell is less than the prices they receive. A more eclectic model of imperfect competition in the factor and commodity markets is needed to explain the fact of price and wage rises before full employment and full capacity have been reached.

Similarly, the Keynes model, which assumes stickiness of wages even in the face of underemployment equilibrium, rests on various assumptions of imperfect competition. And when we recognize that, considerably before full employment of labor and plants has been reached, modern prices and wages seem to show

a tendency to drift upward irreversibly, we see that the simple Keynesian system must be modified even further in the direction of an imperfect competition model.

Now the fact that an economic model in some degree involves imperfect competition does not necessarily imply that the concepts of competitive markets give little insight into the behavior of relative prices, resources allocations, and profitabilities. To some degree of approximation, the competitive model may cast light on these important real magnitudes, and for this purpose we might be content to use the competitive model. But to explain possible cost-push inflation, it would seem more economical from the very beginning to recognize that imperfect competition is the essence of the problem and to drop the perfect competition assumptions.

Once this is done, we recognize the qualitative possibility of cost-push inflation. Just as wages and prices may be sticky in the face of unemployment and overcapacity, so may they be pushing upward beyond what can be explained in terms of levels and shifts in demand. But to what degree these elements are important in explaining price behavior of any period becomes an important quantitative question. It is by no means always to be expected that by observing an economy's behavior over a given period will we be able to make a very good separation of its price rise into demand and cost elements. We simply cannot perform the controlled experiments necessary to make such a separation; and Mother Nature may not have economically given us the scatter and variation needed as a substitute for controlled experiments if we are to make approximate identification of the casual forces at work.

Many economists have argued that cost push was important in the prosperous 1951-53 period, but that its effects on average prices were masked by the drop in flexible raw material prices. But again in 1955-58, it showed itself despite the fact that in a good deal of this period there seemed little evidence of overall high employment and excess demand. Some holders of this view attribute the push to wage boosts engineered unilaterally by strong unions. But others give as much or more weight to the cooperative action of all sellers—organized and unorganized labor, semimonopsonistic managements, oligopolistic sellers in imperfect commodity markets—who raise prices and costs in an attempt by each to maintain or raise his share of national income, and who, among themselves, by trying to get more than 100 percent of the available output, create seller's inflation.

A variant of cost push is provided by Charles Schultze's "demand-shift" theory of inflation. Strength of demand in certain sectors of the economy—e.g., capital goods industries in 1955-57—raises prices and wages there. But elsewhere, even though demand is not particularly strong, downward inflexibility keeps prices from falling, and market power may even engineer a price-wage movement imitative in a degree of the sectors with strong demand. The result is an upward drift in average prices, with the suggestion that monetary and fiscal policies restrictive enough to prevent an average price rise would have to be so very restrictive as to produce a considerable level of unemployment and a significant drop in production.

## II

*Truths and consequences: The problem of identification.*—The competing (although imperfectly competing) theories of inflation, appear to be genuinely different hypotheses about observable facts. In that case one ought to be able to distinguish empirically between cost and demand inflation. What are the earmarks? If I believe in cost push, what should I expect to find in the facts that I would not expect to find were I a believer in demand pull? The last clause is important. It will not do to point to circumstances which will accompany any inflation, however caused. A test must have what statisticians call power against the main alternative hypotheses.

Trite as these remarks may seem, they need to be made. The clichés of popular discussion fall into the trap again and again. Although they have been trampled often enough by experts, the errors revive. We will take the time to point the finger once more. We do this because we want to go one step further and argue that this problem of identification is exceedingly difficult. What appear at first to be subtle and reliable ways of distinguishing cost-induced from demand-induced inflation turn out to be far from airtight. In fact we are driven to the belief that aggregate data, recording the ex post details of completed transactions, may in most circumstances be made insufficient. It may be necessary first to disaggregate.

*Common fallacies.*—The simplest mistake—to be found in almost any newspaper discussion of the subject—is the belief that if money wages rise faster

than productivity, we have a sure sign of cost inflation. Of course the truth is that in the purest of excess demand inflation wages will rise faster than productivity; the only alternative is for the full increase in the value of a fixed output to be siphoned off into profits, without this spilling over into the labor market to drive wages up still further. This error is sometimes mixed with the belief that it is possible over long periods for industries with rapid productivity increase to pay higher and increasingly higher wages than those where output per man-hour grows slowly. Such a persistent and growing differential is likely eventually to alter the skill- or quality-mix of the labor force in the different industries, which casts doubt on the original productivity comparison.

One sometimes sees statements to the effect that increases in expenditure more rapid than increases in real output necessarily spell demand inflation. It is simple arithmetic that expenditure outrunning output by itself spells only price increases and provides no evidence at all about the source or cause of the inflation. Much of the talk about too much money chasing too few goods is of this kind.

A more solemn version of the fallacy goes: An increase in expenditure can come about only through an increase in the stock of money or an increase in the velocity of circulation. Therefore the only possible causes of inflation are  $M$  and  $V$  and we need look no further.

*Further difficulties.*—It is more disconcerting to realize that even some of the empirical tests suggested in the professional literature may have little or no cutting power in distinguishing cost from demand inflation.

One thinks automatically of looking at the timing relationships. Do wage increases seem to precede price increases? Then the general rise in prices is caused by the wage push. Do price increases seem to precede wage increases? Then more likely the inflation is of the excess demand variety, and wages are being pulled up by a brisk demand for labor or they are responding to prior increases in the cost of living. There are at least three difficulties with this argument. The first is suggested by replacing "wage increase" by "chicken" and "price increase" by "egg." The trouble is that we have no normal initial standard from which to measure, no price level which has always existed and to which everyone has adjusted; so that a wage increase, if one occurs, must be autonomous and not a response to some prior change in the demand for labor. As an illustration of the difficulty of inference, consider average hourly earnings in the basic steel industry. They rose, relative to all manufacturing from 1950 on, including some periods when labor markets were not tight. Did this represent an autonomous wage push? Or was it rather a delayed adjustment to the decline in steel wages relative to all manufacturing, which took place during the war, presumably as a consequence of the differential efficiency of wage control? And why should we take 1939 or 1941 as a standard for relative wages? And so on.

A related problem is that in a closely interdependent economy, effects can precede causes. Prices may begin to ease up because wage rates are expected to. And more important, as wage and price increases ripple through the economy, aggregation may easily distort the apparent timing relations.

But even if we could find the appearance of a controlled experiment, if after a period of stability in both we were to notice a wage increase to a new plateau followed by a price increase, what could we safely conclude? It would be immensely tempting to make the obvious diagnosis of wage push. But consider the following hypothetical chain of events: Prices in imperfect commodity markets respond only to changes in costs. Labor markets are perfectly competitive in effect, and the money wage moves rapidly in response to shifts in the demand for labor. So any burst of excess demand, government expenditure, say, would cause an increased demand for labor; wages would be pulled up; and only then would prices of commodities rise in response to the cost increase. So the obvious diagnosis might be wrong. In between, if we were clever, we might notice a temporary narrowing of margins, and with this information we might piece together the story.

Consider another sophisticated inference. In a single market, price may rise either because the demand curve shifts to the right or because the supply curve shifts to the left in consequence of cost increases. But in the first case, output should increase; in the second case, decline. Could we not reason, then, that if prices rise, sector by sector, with outputs, demand pull must be at work? Very likely we can, but not with certainty. In the first place, as Schultz has argued, it is possible that certain sectors face excess demand, without there being aggregate pressure; those sectors will indeed show strong price increases and

increases in output (or pressure on capacity). But in a real sense, the source of inflation is the failure of other sectors, in which excess capacity develops, to decrease their prices sufficiently. And this may be a consequence of "administered pricing," rigid markups, rigid wages, and all the paraphernalia of the "new" inflation.

To go deeper, the reasoning we are scrutinizing may fail because it is illegitimate, even in this industry-by-industry way, to use partial equilibrium reasoning. Suppose wages rise. We are led to expect a decrease in output. But in the modern world, all or most wages are increasing. Nor is this the first time they have done so. And in the past, general wage and price increases have not resulted in any decrease in aggregate real demand—perhaps the contrary. So that even in a single industry supply and demand curves may not be independent. The shift in costs is accompanied by, indeed may bring about, a compensating shift in the subjectively viewed demand curve facing the industry. And so prices may rise with no decline and possibly an increase in output. If there is any thing in this line of thought, it may be that one of the important causes of inflation is—inflation.

*The need for detail.*—In these last few paragraphs we have been arguing against the attempt to diagnose the source of inflation from aggregates. We have also suggested that sometimes the tell-tale symptoms can be discovered if we look not at the totals but at the parts. This suggestion gains force when we recognize, as we must, that the same general price increase can easily be the consequence of different causes in different sectors. A monolithic theory may have its simplicity and style riddled by exceptions. Is there any reason, other than a desire for symmetry, for us to believe that the same reasoning must account for the above-average increase in the price of services and the above-average increase in the price of machinery since 1951 or since 1949? Public utility prices undoubtedly were held down during the war, by the regulatory process; and services ride along on income-elastic demand accompanied by a slower-than-average recorded productivity increase. A faster-than-average price increase amounts to the corrective relative-price change one would expect. The main factor in the machinery case, according to a recent Joint Economic Committee study, appears to have been a burst of excess demand occasioned by the investment boom of the midfifties. And to give still a third variant, Eckstein and Fromm in another Joint Economic Committee study suggest that the above-average rise in the wages of steelworkers and the prices of steel products took place in the face of a somewhat less tight labor and product market than in machinery. They attribute it to a joint exercise of market power by the union and the industry. Right or wrong, it is mistaken theoretical tactics to deny this possibility on the grounds that it cannot account for the price history in other sectors.

*Some things it would be good to know.*—There are at least two classical questions which are relevant to our problem and on which surprisingly little work has been done: One is the behavior of real demand under inflationary conditions and the other is the behavior of money wages with respect to the level of employment. We comment briefly on these two questions because there seems to us to be some doubt that ordinary reversible behavior equations can be found, and this very difficulty points up an important question we have mentioned earlier: that a period of high demand and rising prices molds attitudes expectations, even institutions in such a way as to bias the future in favor of further inflation. Unlike some other economists, we do not draw the firm conclusion that unless a firm stop is put, the rate of price increase must accelerate. We leave it as an open question: It may be that creeping inflation leads only to creeping inflation.

The standard way for an inflationary gap to burn itself out short of hyperinflation is for the very process of inflation to reduce real demands. The mechanisms, some dubious, some not, are well known: the shift to profit, real-balance effects, tax progression, squeeze on fixed incomes. If price and wage increases have this effect, then a cost-push inflation in the absence of excess demand inflicts unemployment and excess capacity on the system. The willingness to bear the reduced real demand is a measure of the imperfectness of markets permitting the cost push. But suppose real demands do not behave in this way? Suppose a wage-price rise has no effect on real demand, or a negligible one, or even a slight positive one? Then not only will the infliction not materialize, but the whole distinction between cost push and demand pull begins to evaporate. But is this possible? The older quantity theorists would certainly have denied it; but the increase in velocity between 1955 and 1957 would have surprised an older quantity theorist.

We do not know whether real demand behaves this way or not. But we think it important to realize that the more the recent past is dominated by inflation, by high employment, and by the belief that both will continue, the more likely is it that the process of inflation will preserve or even increase real demand, or the more heavily the monetary and fiscal authorities may have to bear down on demand in the interests of price stabilization. Real-income consciousness is a powerful force. The pressure on real balances from high prices will be partly relieved by the expectation of rising prices, as long as interest rates in an imperfect capital market fail to keep pace. The same expectations will induce schoolteachers, pensioners, and others to try to devise institutions to protect their real incomes from erosion by higher prices. To the extent that they succeed, their real demands will be unimpaired. As the fear of prolonged unemployment disappears and the experience of past full employment builds up accumulated savings, wage earners may also maintain their real expenditures; and the same forces may substantially increase the marginal propensity to spend out of profits, including retained earnings. If there is anything to this line of thought, the empirical problem of verification may be very difficult, because much of the experience of the past is irrelevant to the hypothesis. But it would be good to know.

*The fundamental Phillips schedule relating unemployment and wage changes.*—Consider also the question of the relation between money wage changes and the degree of unemployment. We have A. W. Phillips' interesting paper on the United Kingdom history since the Civil War (our Civil War, that is). His findings are remarkable, even if one disagrees with his interpretations.

In the first place, the period 1861–1913, during which the trade-union movement was rather weak, shows a fairly close relationship between the percent change in wage rates and the fraction of the labor force unemployed. Due allowance must be made for sharp import-price-induced changes in the cost of living, and for the normal expectation that wages will be rising faster when an unemployment rate of 5 percent is reached on the upswing than when it is reached on the downswing. In the second place, with minor exceptions, the same relationship that fits for 1861–1913 also seems to fit about as well for 1913–48 and 1948–57. And finally Phillips concludes that the money wage level would stabilize with 5 percent unemployment; and the rate of increase of money wages would be held down to the 2 to 3 percent rate of productivity increase with about 2½ percent of the labor force unemployed.

Strangely enough, no comparably careful study has been made for the U.S. Garbarino's 1950 note is hardly a full-scale analysis, and Schultz's treatment in his first-class Joint Committee monograph is much too casual. There is some evidence that the United States differs from the United Kingdom on at least two counts. If there is any such relationship characterizing the American labor market, it may have shifted somewhat in the last 50 to 60 years. Secondly, there is a suggestion that in this country it might take 8 to 10 percent unemployment to stabilize money wages.

But would it take 8 to 10 percent unemployment forever to stabilize the money wage? Is not this kind of relationship also one which depends heavily on remembered experience? We suspect that this is another way in which a past characterized by rising prices, high employment, and mild, short recessions is likely to breed an inflationary bias—by making the money wage more rigid downward, maybe even perversely inclined to rise during recessions on the grounds that things will soon be different.

There may be no such relation for this country. If there is, why does it not seem to have the same degree of long-run invariance as Phillips' curve for the United Kingdom? What geographical, economic, sociological facts account for the difference between the two countries? Is there a difference in labor mobility in the two countries? Do the different tolerances for unemployment reflect differences in income level, union organization, or what? What policy decisions might conceivably lead to a decrease in the critical unemployment rate at which wages begin to rise or to rise too fast? Clearly a careful study of this problem might pay handsome dividends.

### III

*A closer look at the American data.*—In spite of all its deficiencies, we think the accompanying scatter diagram in figure 1 is useful. Where it does not provide answers, it at least asks interesting questions. We have plotted the yearly percentage changes of average hourly earnings in manufacturing, including supplements (Rees' data) against the annual average percentage of the labor force unemployed.

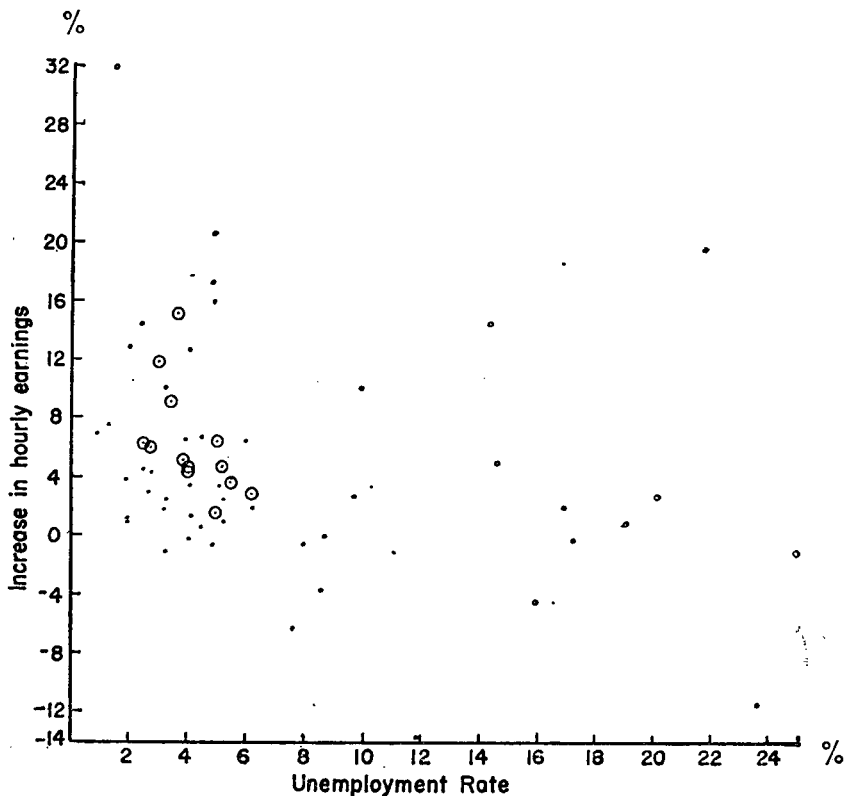


FIGURE 1—Phillips scatter diagram for United States. (The circled points are for recent years.)

The first defect to note is the different coverages represented in the two axes. Duesenberry has argued that postwar wage increases in manufacturing on the one hand, and in trade, services, etc., on the other, may have quite different explanations; union power in manufacturing and simple excess demand in the other sectors. It is probably true that if we had an unemployment rate for manufacturing alone, it would be somewhat higher during the postwar years than the aggregate figure shown. Even if a qualitative statement like this held true over the whole period, the increasing weight of services in the total might still create a bias. Another is our use of annual increments and averages, when a full-scale study would have to look carefully into the nuances of timing.

A first look at the scatter is discouraging; there are points all over the place. But perhaps one can notice some systematic effects. In the first place, the years from 1933 to 1941 appear to be *sui generis*: money wages rose or failed to fall in the face of massive unemployment. One may attribute this to the workings of the New Deal (the 20 percent wage increase of 1934 must represent the NRA codes); or alternatively one could argue that by 1933 much of the unemployment had become structural, insulated from the functioning labor market, so that in effect the vertical axis ought to be moved over to the right. This would leave something more like the normal pattern.

The early years of the First World War also behave atypically although not so much so as 1933-39. This may reflect cost-living increases, the rapidity of the increase in demand, a special tightness in manufacturing, or all three.



But the bulk of the observations—the period between the turn of the century and the first war, the decade between the end of that war and the great depression, and the most recent 10 or 12 years—all show a rather consistent pattern. Wage rates do tend to rise when the labor market is tight, and the tighter the faster. What is most interesting is the strong suggestion that the relation, such as it is, has shifted upward slightly but noticeably in the forties and fifties. On the one hand, the first decade of the century and the twenties seem to fit the same pattern. Manufacturing wages seem to stabilize absolutely when 4 or 5 percent of the labor force is unemployed; and wage increases equal to the productivity increase of 2 to 3 percent per year is the normal pattern at about 3 percent unemployment. This is not so terribly different from Phillips' results for the United Kingdom, although the relation holds there with a greater consistency. We comment on this below.

On the other hand, from 1946 to the present, the pattern is fairly consistent and consistently different from the earlier period. The annual unemployment rate ranged only narrowly, from 2.5 percent in 1953 to 6.2 percent in 1958. Within that range, as might be expected, wages rose faster the lower the unemployment rate. But one would judge now that it would take more like 8 percent unemployment to keep money wages from rising. And they would rise at 2 to 3 percent per year with 5 or 6 percent of the labor force unemployed.

It would be overhasty to conclude that the relation we have been discussing represents a reversible supply curve for labor along which an aggregate demand curve slides. If that were so, then movements along the curve might be dubbed standard demand-pull, and shifts of the curve might represent the institutional changes on which cost-push theories rest. The apparent shift in our Phillips' curve might be attributed by some economists to the new market power of trade unions. Others might be more inclined to believe that the expectation of continued full employment, or at least high employment, is enough to explain both the shift in the supply curve, if it is that, and the willingness of employers (conscious that what they get from a work force is partly dependent on its morale and its turnover) to pay wage increases in periods of temporarily slack demand.

This latter consideration, however, casts real doubt on the facile identification of the relationship as merely a supply-of-labor phenomenon. There are two parties to a wage bargain.

*United States and United Kingdom Compared.*—A comparison of the American position with Phillips' findings for the United Kingdom is interesting for itself and also as a possible guide to policy. Anything which will shift the relationship downward decreases the price in unemployment that must be paid when a policy is followed of holding down the rate of wage and price increase by pressure on aggregate demand.

One possibility is that the trade union leadership is more "responsible" in the United Kingdom; indeed the postwar policy of wage restraint seems visible in Phillips' data. But there are other interpretations. It is clear that the more fractionated and imperfect a labor market is, the higher the overall excess supply of labor may have to be before the average wage rate becomes stable and the less tight the relation will be in any case. Even a touch of downward inflexibility (and trade unionism and administered wages surely means at least this) will make this immobility effect more pronounced. It would seem plausible that the sheer geographical compactness of the English economy makes its labor market more perfect than ours in this sense. Moreover, the British have pursued a more deliberate policy of relocation of industry to mop up pockets of structural unemployment.

This suggests that any governmental policy which increases the mobility of labor (geographical and industrial) or improves the flow of information in the labor market will have anti-inflationary effects as well as being desirable for other reasons. A quicker but in the long run probably less efficient approach might be for the Government to direct the regional distribution of its expenditures more deliberately in terms of the existence of local unemployment and excess capacity.

The English data show a quite clearly nonlinear (hyperbolic) relation between wage changes and unemployment, reflecting the much discussed downward inflexibility. Our American figures do not contradict this, although they do not tell as plain a story as the English. To the extent that this nonlinearity exists, as Duesenberry has remarked, a given average level of unemployment

over the cycle will be compatible with a slower rate of wage increase (and presumably price increase) the less wide the cyclical swings from top to bottom.

A less obvious implication of this point of view is that a deliberate low-pressure policy to stabilize the price level may have a certain self-defeating aspect. It is clear from experience that interregional and interindustrial mobility of labor depends heavily on the pull of job opportunities elsewhere, more so than on the push of local unemployment. In effect the imperfection of the labor market is increased, with the consequences we have sketched.

#### IV

We have concluded that it is not possible on the basis of a priori reasoning to reject either the demand-pull or cost-push hypothesis, or the variants of the latter such as demand-shift. We have also argued that the empirical identifications needed to distinguish between these hypotheses may be quite impossible from the experience of macrodata that is available to us; and that, while use of microdata might throw additional light on the problem, even here identification is fraught with difficulties and ambiguities.

Nevertheless, there is one area where policy interest and the desire for scientific understanding for its own sake come together. If by deliberate policy one engineered a sizable reduction of demand or refused to permit the increase in demand that would be needed to preserve high employment, one would have an experiment that could hope to distinguish between the validity of the demand-pull and the cost-push theory as we would operationally reformulate those theories. If a small relaxation of demand were followed by great moderations in the march of wages and other costs so that the social cost of a stable price index turned out to be very small in terms of sacrificed high-level employment and output, then the demand-pull hypothesis would have received its most important confirmation. On the other hand, if mild demand repression checked cost and price increases not at all or only mildly, so that considerable unemployment would have to be engineered before the price-level updrift could be prevented, then the cost-push hypothesis would have received its most important confirmation. If the outcome of this experience turned out to be in between these extreme cases—as we ourselves would rather expect—then an element of validity would have to be conceded to both views; and dull as it is to have to embrace eclectic theories, scholars who wished to be realistic would have to steel themselves to doing so.

Of course, we have been talking glibly of a vast experiment. Actually such an operation would be fraught with implications for social welfare. Naturally, since they are confident that it would be a success, the believers in demand-pull ought to welcome such an experiment. But, equally naturally, the believers in cost-push would be dead set against such an engineered low-pressure economy, since they are equally convinced that it will be a dismal failure involving much needless social pain. (A third school, who believes in cost-push but think it can be cured or minimized by orthodox depressing of demand, think that our failure to make this experiment would be fraught with social evil by virtue of the fact that they expect a creep in prices to snowball into a trot and then a gallop.)

Our own view will by now have become evident. When we translate the Phillips' diagram showing the American pattern of wage increase against degree of unemployment into a related diagram showing the different levels of unemployment that would be "needed" for each degree of price-level change, we come out with guesses like the following:

1. In order to have wages increase at no more than the 2½ percent per annum characteristic of our productivity growth, the American economy would seem on the basis of 20th-century and postwar experience to have to undergo something like 5 to 6 percent of the civilian labor force's being unemployed. That much unemployment would appear to be the cost of price stability in the years immediately ahead.

2. In order to achieve the nonperfectionist's goal of high enough output to give us no more than 3 percent unemployment, the price index might have to rise by as much as 4 to 5 percent per year. That much price rise would seem to be the necessary cost of high employment and production in the years immediately ahead.

All this is shown in our price-level modification of the Phillips curve, figure 2. The point *A*, corresponding to price stability, is seen to involve about 5½ percent unemployment; whereas the point *B*, corresponding to 3 percent unemployment, is seen to involve a price rise of about 4½ percent per annum. We rather expect that the tug of war of politics will end us up in the next few years somewhere in between these selected points. We shall probably have some price rise and some excess unemployment.

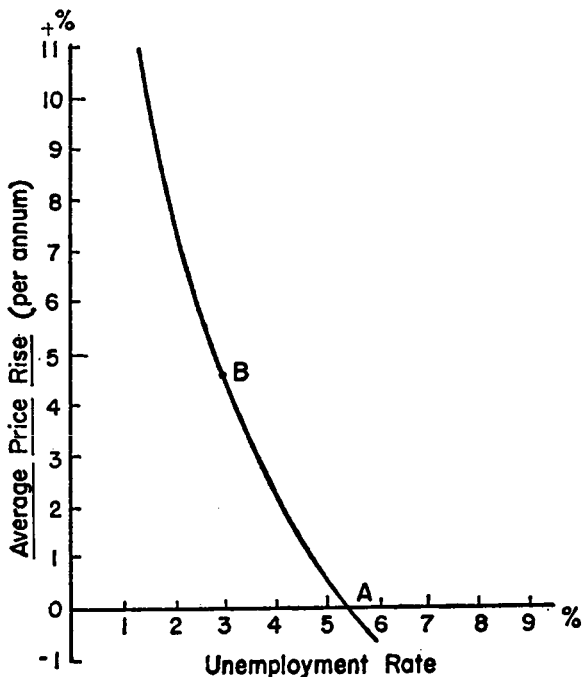


FIGURE 2.—Modified Phillips curve for United States. This shows the menu of choice between different degrees of unemployment and price stability, as roughly estimated from last 25 years of American data.

Aside from the usual warning that these are simply our best guesses we must give another caution. All of our discussion has been phrased in short-run terms, dealing with what might happen in the next few years. It would be wrong, though, to think that our figure 2 menu that relates obtainable price and unemployment behavior will maintain its same shape in the longer run. What we do in a policy way during the next few years might cause it to shift in a definite way.

Thus, it is conceivable that after they had produced a low-pressure economy, the believers in demand-pull might be disappointed in the short run; i.e., prices might continue to rise even though unemployment was considerable. Nevertheless, it might be that the low-pressure demand would so act upon wage and other expectations as to shift the curve downward in the longer run—so that over a decade, the economy might enjoy higher employment with price stability than our present-day estimate would indicate.

But also the opposite is conceivable. A low-pressure economy might build up within itself over the years larger and larger amounts of structural unemployment (the reverse of what happened from 1941 to 1953 as a result of strong

war and postwar demands). The result would be an upward shift of our menu of choice, with more and more unemployment being needed just to keep prices stable.

Since we have no conclusive or suggestive evidence on these conflicting issues, we shall not attempt to give judgment on them. Instead we venture the reminder that, in the years just ahead, the level of attained growth will be highly correlated with the degree of full employment and high-capacity output.

But what about the longer run? If the per annum rate of technical progress were about the same in a low- and high-pressure economy, then the initial loss in output in going to the low-pressure state would never be made up; however, in relative terms, the initial gap would not grow but would remain constant as time goes by. If a low-pressure economy could succeed in improving the efficiency of our productive factors, some of the loss of growth might be gradually made up and could in long enough time even be more than wiped out. On the other hand, if such an economy produced class warfare and social conflict and depressed the level of research and technical progress, the loss in growth would be compounded in the long run.

A final disclaimer is in order. We have not here entered upon the important question of what feasible institutional reforms might be introduced to lessen the degree of disharmony between full employment and price stability. These could of course involve such wide-ranging issues as direct price and wage controls, antiunion and antitrust legislation, and a host of other measures hopefully designed to move the American Phillips' curves downward and to the left.

Mr. SAMUELSON. In the field of economics, it is not always possible to be simple and be understood and still be correct.

Senator PROXMIRE. I understand.

Mr. SAMUELSON. Now, the general policy implications of the above analysis are clear, I think. One, our economy should spend much more money on the public task of retraining, relocating, and better informing workers about new jobs. I think this is relatively uncontroversial, and both sides to the dispute as to whether demand or structural unemployment is important are in agreement on this.

The second general viewpoint to which I come is more controversial, and if I had more than 8 minutes I am afraid I would have to qualify it, but as a first approximation I would state it in the following way. Along with such retraining measures there must go expansionary programs that insure the availability of new jobs in new regions, new industries, and new occupations. It is particularly important to assure adequate levels of demand because the whole policy of retraining people could backfire in a very painful and pitiful form if you retrain people for jobs and then because of demand considerations there are no jobs.

These two approaches, expansionary fiscal and monetary measures and the more direct programs for retraining manpower, are supplementary, in my view, rather than competitive. This is a case where the whole will add up to much more than the sum of the separate parts.

Thank you.

Senator PROXMIRE. I want to thank you very, very much, all of you gentlemen.

(The prepared statement of Mr. Samuelson follows:)

#### STATEMENT OF PAUL A. SAMUELSON

##### SUMMARY

(1) Our statistics of unemployment have recently come under severe attack as being intentionally misleading, as being inaccurate, and as being essentially worthless. Most of this attack is uninformed; some is malicious; none is of professional and scientific objectivity.

(2) While our statistical knowledge on this subject can be improved, and while they need to be carefully understood if misinterpretations are to be avoided, there is no doubt in the minds of the vast majority of statisticians and economic experts that the existing published information gives an important indication of short-term fluctuations in underlying employment and unemployment conditions. These data are among the most valuable of any that the Government or private organizations collect, analyze, and release.

(3) A number of technical improvements could help make our unemployment statistics even more valuable. Thus—

(a) The size of sample might be enlarged, although this is a matter of very low priority.

(b) Smaller samples spread over more weeks of the month might reduce the variance due to special weather and holiday conditions.

(c) Much experimentation might be done with control samples to test the variation in responses that can be elicited by different forms in which questions are asked and by different concepts that give rise to different questions.

(d) More detailed breakdowns could be prepared and published, and extra funds could be made available for improved analyses of trends and variations.

(e) The problem of seasonal adjustments of unemployment, not itself a major issue, still needs investigation.

(f) Experimentation in a tentative and unpretentious way might be done to determine whether other indicators of labor market tightness could be developed (as, e.g., some imperfect measure of job vacancies).

(g) Studies of the commensurability between our measures and those of other nations are still much needed.

I do not elaborate on these suggestions because there will be a report in the near future from the professional committee set up to look into these and related matters.

(4) One often meets the notion that, in addition to the problems of cyclical unemployment and unemployment that can respond to expansions of demand by fiscal and monetary policies, there is also a problem of "structural unemployment" which will not be helped much in the short run by demand measures. This is correct.

But it is quite wrong to confuse the above correct position with the notion that most or all of our increase in unemployment at recent cyclical peaks of business activity (like 1960 and 1957 in contrast to 1953) is due to an increase in "structural unemployment." The available evidence cannot be conclusive on this matter without further analysis and data collection. But the preponderance of the existing evidence and analysis suggests to me that something like two-thirds or more of the described increase in unemployment has been due to the inadequacy of overall dollar demand. (The issue is complicated by the fact that even if there were zero "structural unemployment" there might be a tendency for wages and prices to rise for cost-push reasons even before the percentage of unemployment had been reduced down to a tolerable and desirable low percentage.) Aside from further measurement and analysis, the problem of structural unemployment needs some further clear thinking.

(5) The policy implication of the above analysis is clear.

(a) Our economy should spend more on the public task of retraining, relocating, and better informing workers about new jobs. This is uncontroversial.

(b) Along with such retraining measures there must go expansionary programs that insure that there are some new jobs available, in new regions, new industries, and new occupations. These two measures are supplementary rather than competitive: their whole adds up to more than the sum of the parts.

Senator PROXMIRE. What I would like to do—I think this may be the most useful way to proceed, although it is always baffling, especially when you have four articulate and competent economists, and Senator Clark and I like to talk, too—I would suggest that what we do, however, is to proceed in the order in which you gentlemen spoke, with questions, and I would also suggest that it would be very useful to us, since each of you is obviously more competent and more pro-

fessional in this field than we are, that you might join either in the questions or in the comments as you feel moved to do so, particularly if you feel there is a strong position of disagreement or if you would like to supplement and add information in any way.

Now, we might start with Mr. Kendrick.

Mr. Kendrick, I noticed that your analysis, if I could skip your discussion of statistics of employment and unemployment, which was largely constructive, and I think very good, but I did not have any basis for question that occurred. Nevertheless, the primary emphasis that you had was in demolishing the notion that structural employment was very significant and in emphasizing, at least emphasizing to a much greater extent, the inadequate demand aspects of this situation.

Then, when it came to a prescription, you had a series of proposals on meeting the structural problems, including expansion of our general educational effort if Federal aid is necessary, outlays for higher education, and so forth; liaison between the Labor Department and the educational institutions, special programs for training and re-training unemployed; and then you seem to say that if we let nature take its course, your last sentence is:

The normal course of economic recovery alone is likely to reduce the unemployment rate to 4.5 percent or less by the end of 1962.

And you felt this would be far more important than anything we could do as far as the specific unemployment percentage is concerned. You said that letting nature take its course would be the important thing, and you seem to be satisfied with that as the solution to our employment and unemployment problem.

I do not want to be unfair, and I probably have been, so you go ahead.

Mr. KENDRICK. Well, you have pointed out very perspicaciously certain points that might be interpreted as being inconsistencies, but I do not think that they are.

In the first place, I do think that the course of this recovery will reduce our unemployment very substantially in the very next year.

If I may give just a few pieces of arithmetic here: My own economic projection, which seems to be about the same as most other economic forecasters, is that the national product will probably rise from about \$540 billion at annual rates in the fourth quarter of this year to \$580 billion or so in the fourth quarter of next year. This is an increase of about 7.5 percent.

If we say that prices rise by about 1.5 percent, then we have an increase in the physical volume of output of 6 percent. If we say then that half of this 6-percent increase is due to increased real produce or output per worker, then we come up with the necessary increase of about 3 percent in employment. But if we say that the labor force is going to grow at least 1 percent over this period, then that leaves us with a 2-percent-point reduction in the unemployment rate.

Senator PROXMIER. Let me ask you—you are going a little fast for me—how do you get a 1-percent increase in the labor force?

Mr. KENDRICK. Well, this is based on the labor force projections which various Government agencies make. Actually, it is a little low in the course of this decade where we are expecting an average of more than 1 million a year increase.

Senator PROXMIRE. This is what would concern me——

Mr. KENDRICK. Yes.

Senator PROXMIRE (continuing). Because also the point was made by some of the other gentlemen we have had before this committee. Mr. Reynolds, I think, particularly stressed that as conditions improve and job opportunities open up, the labor force expands——

Mr. KENDRICK. Yes.

Senator PROXMIRE (continuing). At a more rapid rate than it would in a static or in a declining situation.

Mr. KENDRICK. This is quite possible, in which case the reduction in unemployment rate would be somewhat less. In other words, we have a 2-percentage-point figure which is a possible reduction of unemployment rate. To the extent that the labor force grows more than three-quarters of a million in the next year, we would have lesser reduction in unemployment, but I do not think anybody would claim the labor force would increase 2 percent, in which case we would get a 1-percent reduction in unemployment down to around 5 percent; but it is possible, of course, that the reduction not be as great as my prediction in the last sentence is.

But, nevertheless, I think under almost any set of reasonable assumptions about the course of the expansion, we are going to get a significant drop in unemployment in the year ahead. Maybe it will be in the early 5-percent range rather than around 4.5 percent. But nevertheless——

Senator PROXMIRE. Let me just interrupt at this point because I think this would be an appropriate point to ask this.

Mr. KENDRICK. Surely.

Senator PROXMIRE. Do you feel that the increase in productivity and the increase in hours have pretty much reached the level they are going to reach, or don't you think this will also cut into your analysis?

Mr. KENDRICK. Well, I included a 3-percent increase in output per worker, which actually is a bit more than the average increase that we have had.

Senator PROXMIRE. I was referring—I am sorry, what I said was not clear—I was referring to the argument that Mr. Reynolds has made, and others have made, that as you recover, your productivity increases at a more than long-term rate.

Mr. KENDRICK. That is quite correct.

Senator PROXMIRE. And this has certainly been the case in the last 6 or 8 months.

Mr. KENDRICK. That is correct; and that is why I would project over the next year a somewhat higher than average rate. In other words, of this 6-percent increase in real product which, I believe, is a conservative projection, at least half will come from increased productivity per worker, and this is somewhat more than the average rate, so I make allowance for the quite correct point you make that during this phase of expansion we get a higher than average productivity.

If it is still higher than this 3 percent, we would have less reduction in unemployment; that is correct.

On the other hand, if it is less, which is possible, we would have more reduction in unemployment. I am glad you are pointing out that there are margins of error to all of these variables that I am

projecting, and we may end up somewhere between 5 and 5.5, or it might be between 4 and 5. But in any case—

Senator PROXMIRE. How about hours?

Mr. KENDRICK. Well, on hours there is normally an increase during the expansion. However, we have already gotten a good deal of increase, and I doubt if there is going to be too much increase in hours during the next year, although there will be some, and this will be minor.

Senator PROXMIRE. The increase between April of this year and October, a period during which the President argued at Miami that the gross national product has already gone up by \$40 billion, is now at \$540 billion, and the increase in hours is only 2 percent, while the increase in gross national product is rising at the rate of 8 percent.

This month, however, this month the latest figures—and it is unfair to you, I do not think you have gotten them—

Mr. KENDRICK. They just handed it to us.

Senator PROXMIRE. It is just hot off the press, and indicates the hours went up a full percent.

Senator CLARK. Let the record show that what you are waiving is the Economic Indicators for December.

Senator PROXMIRE. Yes. This committee's publication for December.

Mr. KENDRICK. Yes. However, you will notice the 40.6 hours per week on average in manufacturing for November compares with only 39.7 average for 1960. I wish we had the second quarter of 1960, which was the peak. I do not think it was above 40.6, and the peak in 1957, the year as a whole, is 39.8. In other words, hours already seem to be somewhat above previous peak levels, so that is one reason, I say, I do not think we are going to get too much more expansion in hours. I think from here on management is going to have to increase hiring. They always increase hours first, and then, as there is less slack left there they will start increasing hiring.

Senator PROXMIRE. What I have been talking about are the technical details. Let me ask you what is the important question.

Mr. KENDRICK. Yes.

Senator PROXMIRE. You say \$580 billion GNP by the end of this year. This is the kind of prediction that I just cannot understand an economist making. I know a lot of them have made predictions of this sort. You might as well say \$600 billion or that it is going to go down. We can say we are going to have a big defense budget next year, there are a few other things we can nail down. But how do you know it is going to be \$580 billion? Why not \$570 billion; why not \$590 billion, or \$600 billion or how do you know it is not going to go the other way on the basis of our previous experience with predictions?

Mr. KENDRICK. I see.

Well, let me say this, economic forecasting is not yet a precise science; I doubt if it ever will be.

Senator PROXMIRE. That is a masterpiece of understatement.

Mr. KENDRICK. Due to the tremendous complexities of the economy.

However, I do think that our ability to forecast has improved greatly as a result of improved statistics and better techniques, including the anticipation surveys and so forth.



I know you do not want me to go into a discussion of forecasting techniques at this point. But I will say that the better forecasters have usually been able to hit GNP projections within 20, 25 percent of the change, I mean the projected changes within 25 percent or so of the actual change in many instances.

All I am trying to do is defend a projection as having some validity because, after all, we have a pretty good idea of how Federal spending will increase in the next year, what will happen to State and local spending.

We know something about businessmen's investment from the surveys that we have; we also know something about the propensity of consumers to spend from consumers' surveys. So I think a \$580 billion projection for the last quarter of next year is probably within \$10 billion of what we will actually get, barring quite unforeseen developments.

However, let me hasten to say that of my own forecasts in the last 6 years, I have come within this 25-percent margin in guesstimating the change five of the six times. One of the times I was wrong on direction, and that was 1960. I felt the expansion would continue throughout the year. We got a downturn sooner.

So obviously we cannot claim that we are always going to be right, but I think the reasonable probabilities are that we will get a good expansion and a reduction of unemployment in the year ahead, which is favorable in that it gives us more time to discuss the problem and come up with ideas as to what we should do.

Senator PROXMIRE. I am going to defer to Senator Clark in just a minute. But before I do, I want to say that this is comforting if you can accept it because we had testimony from Mr. Hagedorn who saw gloomy days ahead unless we did a great deal about improving profit opportunities. He represented the National Association of Manufacturers, and said that this is the key to the situation.

President Meany of the AFL-CIO was gloomy too. He argued for the Clark bill and for reducing income taxes and for a series of improvements of the kind that you would have referred to, too, but which he felt would help substantially and significantly in reducing unemployment with regard to manpower training and that kind of thing.

Emerson Schmidt of the chamber of commerce argued that our difficulties were serious and grim and due to a terrific power, he says, unions have, especially what he called the power of violence and intimidation, and he felt if we eliminated that we might be able to move ahead, and without that he could foresee a gloomy situation.

Whether we agree with your position or not, I must say if we can accept it it is reassuring.

Mr. KENDRICK. Well, I think that in the normal course of recovery it is going to give us an increase in profits and profit margins, but that is just a cyclical recovery. I do think that the proposals you have heard for trying to bolster the profit rate represents a more fundamental attack on the possibility that even at relatively high levels profit rates may be inadequate to stimulate continuing growth of investment at the rate that is needed for economic development.

Senator PROXMIRE. Thank you very much, sir. I will yield to Senator Clark.

Senator CLARK. Mr. Chairman, I would like to express my appreciation to all the members of the panel for the very enlightening statements that they have made.

There are three matters that I am interested in which you might think worth pursuing.

The first is to what extent, if at all, is there a danger of inflation coming from the recommendations of some of the panelists here. At least, some classical economists might be scared a little bit as to whether if adopted we would have strong inflationary pressures.

Second, at what point, if ever, should the Government concern itself with unemployment? Our friend, Dr. Schmidt, yesterday felt if we would only repeal a lot of laws and put down the labor unions, that Adam Smith and the laissez faire theory would take care of everything, and Government really ought to stay pretty well out of the picture.

I wonder to what extent these gentlemen agree. My own viewpoint has been that when employment gets over 4 percent it is time we tried to do something about it. While we have a free economy it is a free economy which has got an awful lot of management in it already—monetary policy, fiscal policy, the various measures dealing with unemployment, and the like. I wonder to what extent that meets with the agreement of these gentlemen.

Then, finally, to what extent do they think it is desirable, if at all, to try to beef up expenditures, and therefore employment, by stimulating construction in the public sector of the economy? Do they think the public sector is relatively backward compared with the so-called affluent society in the private sector of the economy?

This, of course, would involve eventually some statement as to whether that much abused baby, the Clark bill, receives the approval of these gentlemen or not. I wish I could stay for all this but, Mr. Chairman, thank you again very much for having invited me to participate. I certainly appreciate the privilege, not being a member of this committee, of being allowed to sit in.

Senator PROXMIRE. Thank you very much, Senator Clark. It is good to have you with us and, as you know, Senator Clark has the chairmanship of the subcommittee of—

Senator CLARK. The Subcommittee on Employment and Manpower.

Senator PROXMIRE. Which is why he is here, and I am sure the testimony will be useful to him in a substantive way.

Senator CLARK. Thank you.

Senator PROXMIRE. I must say, Mr. Kendrick, your testimony is very useful. I did not mean to be critical, and I think that in the next to last paragraph you have, you stated in your recommendations which, of course, would go to the root of improving overall demand over a long pull. Further liberalization of allowance for tax purposes, a cut in corporate income tax rate as soon as the budget surplus is in sight; a less restrictive monetary policy and, of course, support for research and development expenditures.

But I simply have the impression that the thrust of your testimony was that it was not a terribly alarming situation; we were improving, that we could expect a pretty normal situation at the end of next year without much additional new Government action.

Mr. KENDRICK. If it is not at the end of next year it may very well be in the spring of 1963.

However, let me just emphasize one point, and that is although I stress that I do not think there has been any significant increase in structural unemployment, I still recognize that there is a significant amount of structural unemployment, and I think some attack on trying to train the unemployed or retrain the unemployed to make them more employable is a very good idea.

One reason for this, and I would be interested if Professor Samuelson agrees, since he includes this as his first policy recommendations—one reason why is that this is in some small degree anyway anti-inflationary for the following reason: As was pointed out, if private demand is high enough, if profits are good enough, it pays employers to hire workers even if they are very poorly adapted for jobs, and then to train them.

But that is a cost to the employer, and it gets passed on to the public, and he has really—and I, too, at this point am recommending that the Government take over some of this cost to a greater extent of retraining and fitting workers better for the jobs that are available.

To the extent that this is done in a way that is not inflationary by the Government it would somewhat reduce industry's costs, and thus give us a slightly less inflationary impetus, plus the fact that as we get up toward 4 percent unemployment, we get more and more bottlenecks of skills in the labor force, which tend to bid up wage rates and increase costs in that way. So if we break these bottlenecks a bit further, we can get up toward 4 percent unemployment with less inflationary pressure from the bidding up of wage rates of scarcer skills by increasing the supply of those scarcer specialties.

Senator PROXMIRE. Of course, I voted for the Manpower Training Act, and I think this general approach is very constructive. I think we can perhaps push it a little far. I am not sure I understood you correctly. If we expect the Government to take over some of the training problems that industry has, it seems to me that both have to increase very greatly.

It is my understanding that during World War II we actually had a situation in which people who were hired produced negatively, in other words, the firm would have actually produced more if they hadn't been hired, there were literally thousands employed by firms such as General Motors as to which there was statistical evidence that the training and supervision problems were such that they produced a net of nothing.

You are not going to get this when business hires under competitive circumstances normally. But when Government gets into this too impetuously and without good judgment, it seems to me that we might get it. Therefore we have to have a closer working relation between the Government and business in order to avoid real waste in this operation.

Mr. KENDRICK. I agree with that. However, I think it traditionally has been private industry which has trained and retrained workers to adapt to changing technological requirements. I think this Manpower Development Training Act of 1961 is a step toward the Government assuming somewhat greater responsibility in this area. But certainly the primary responsibility still rested with industry.

Senator PROXMIRE. I shouldn't have interrupted at that point. I think you suggested Mr. Samuelson might like to comment.

Mr. SAMUELSON. I should like very strongly to agree with Mr. Kendrick. If we could increase the adaptability of our labor force by public measures, by private measures, by changes in personal attitudes, by changes in union practice and management practice, I think that it would be of tremendous assistance in the control of inflation. It would not only in a particular situation tend to clamp down on price increases, even though that is important, but it would permit us to push very hard on the fiscal policy and monetary policy fronts, and not have to hold back as we have been holding back repeatedly—and when I say “we,” I mean in the last administration and I mean in the present administration. There are always balance-of-payments considerations and there are always problems of possible reactivation of the wage-price cycle that keep us from pushing as hard as we might for social reasons and otherwise think desirable.

So these measures are supplementary, as I stated in my testimony.

#### DIFFERENTIAL UNEMPLOYMENT RATES

Senator PROXMIRE. Professor Long, in your statement you say “Unemployment rates rose for Negroes for the average of manual, unskilled,” et cetera.

With regard to that paragraph, do you have any figures showing the amount that they rose, because it seems to me that this has been fairly constant, if not constant, a long trend. And the amount would be very appropriate here.

Mr. LONG. What I have done is to take years in which the total unemployment rate was the same, so as to make “other things equal”; 1949–50 on the one hand and 1959–60 on the other. The reason I chose pairs of years was that unemployment was 5.9 percent in 1949, and 5.3 percent in 1950, and averaged out to 5.6 percent in those 2 years; and it was 5.6 percent in 1959 and 1960. I thought we would get a little more stability from the averages of 1949–50 and of 1959–60.

Now, in 1949–50 the Negro unemployment rate was 8.4 percent. In 1959–60 it averaged 10.4 percent. So it went up in a decade from 8.4 to 10.4 percent.

Senator PROXMIRE. At a period when the overall employment situation was exactly the same.

Mr. LONG. Yes. And the overall labor force participation rate was the same.

Senator PROXMIRE. Negro unemployment went up about 25 percent.

Mr. LONG. Yes. During that time the white unemployment rate fell from 5.3 to 5 percent.

Now, the not-in-labor-force rates are equally interesting. The Negro not-in-labor-force rate was 36.6 percent in 1949–50, and 38.1 percent in 1959–60.

Senator PROXMIRE. Give me those last figures again.

Mr. LONG. 36.6 percent in the first period, and 38.1 percent in the second.

In other words, there were 1.5 percent more of the Negro working-age population outside of the labor force in the second period than in the first. In some sense this group could be added to the unemployment, some Negro unemployed possibly having left the labor force.

The white not-in-labor-force rate was exactly the same in both 1949-50 and 1959-60; 43 percent in each case. (I don't know why the white rate didn't fall a little bit, but by some quirk of statistics it did not.)

Now, for the occupational comparison. I have grouped together all occupations in which the average educational attainment of its members, has been 10 years or more—craftsmen, nondomestic service, sales, clerical, professional, technical workers, and proprietors. This could be called the white-collar-skilled category.

The average unemployment rate of this group fell from 4.25 percent in 1949-50 to 3.7 percent in 1959-60.

Senator PROXMIRE. What was that again?

Mr. LONG. 4.25 to 3.7.

On the other hand, for the manual unskilled worker group, including unskilled, domestic service, farm labor, farmers, and so on, the average unemployment rate rose from 6.8 to 7.2 percent.

Senator PROXMIRE. That is very helpful.

Mr. LONG. Now, the duration of unemployment, I think, is also interesting. In 1949-50 the average duration of unemployment in the 2 years was 11 weeks. In 1959-60 the average duration of unemployment was 13.7 weeks. In other words, it was nearly 3 weeks longer. Those unemployed over 26 weeks were 8.9 percent of the total in 1949-50, and 13.3 percent of the total in 1959-60.

#### UNEMPLOYMENT RATES VARY WITH EDUCATION

Now a comparison of changes in unemployment rate by years of education is of some interest.

I have compared the unemployment rates of males 18 and over between 1950 and 1959. I couldn't get the 1949-50 and 1959-60 comparison, because I had to pick those years for which the Census offered data on education.

Senator PROXMIRE. What was the age again?

Mr. LONG. Males 18 and older; I am comparing their unemployment rates by years of education:

Here are 0 to 4 years of education; 5 to 7 years; 8 years; 9 to 11 years; 12 years, that is high school graduates; 13 to 15 years; 16 and more years of education.

Senator PROXMIRE. I think it would be more useful if you give us those categories.

Mr. LONG. I'll be glad to insert the following table. Note that those with high school education and less had unemployment rates that rose by percentages ranging from 4 to 17 percent. In general the larger increases were for those with less than 8 years of education; the smaller increases were for those who attended or graduated from high school.

Let's take the group with zero education (not shown separately in the table). Its unemployment rate rose from 10 to 12.6 percent. That is a 26-percent rise.

*Unemployment rates in 1950 and 1959 by years of education completed; males 18 and older*

[Percent of civilian labor force]

Years of education	1950 <sup>1</sup>	1959	Change	
			Percent of labor force	Percent of 1950 rate
0 to 4.....	8.5	9.9	+1.4	+16
5 to 7.....	8.3	9.7	+1.4	+17
8.....	6.7	7.3	+0.6	+9
9 to 11.....	7.1	8.1	+1.0	+14
12.....	4.7	4.9	+0.2	+4
13 to 15.....	4.3	3.3	-1.0	-23
16 plus.....	2.3	1.4	-.9	-39
Males 18 and older.....	6.3	6.3	0	0

<sup>1</sup> All unemployment rates in 1950 adjusted upward: (1) For census undercount of labor force and unemployment compared with the Current Population Survey, and (2) for persons with a job but on temporary layoff or waiting to be called to a new job, excluded from the unemployment classification in 1950 but included in 1959.

Senator PROXMIRE. I say that this is interesting, because you have to relate this to the Negro unemployment. I would assume that perhaps the Negro disemployment, which at first is shocking, and you might think it speaks badly of whatever FEPC laws the State may have, or intolerance, but this is really something other than discrimination. It relates more to the education and skill of the Negro.

Mr. LONG. I agree. There is discrimination involved, but it is discrimination at an earlier level, involving a denial of educational and social opportunities.

Now the group with 0 to 4 years of education suffered a 16-percent rise in unemployment.

Those with 5 to 7 years of education, about the same, a 17-percent rise.

Those with 8 years of education, a 9-percent rise.

The 9 to 11 group, that is, those who started high school but didn't finish, have a 14-percent rise. For some reason or other this is a greater rise than that experienced by the eighth grade group; it may be that a person who starts high school and doesn't finish is a greater employment risk than the fellow who never even tried it.

For the 12 years, a 4-percent rise.

Now, those with 13 to 15 years of education enjoyed a 23-percent decline in the unemployment rate.

Senator PROXMIRE. That would be through junior year in college?

Mr. LONG. Yes. And those with 16 years and more of school—college graduates and better—enjoyed a decline of 39 percent.

Senator PROXMIRE. What does that amount to?

That is a very low percentage level.

Mr. LONG. The unemployment rates are low: 2.3 percent in 1950 and 1.4 percent in 1959.

Senator PROXMIRE. The change wouldn't be significant, would it?

Mr. LONG. It might not be significant, were it not in this larger context.

Senator PROXMIRE. How large a group is there with some college education, according to your figures, how large a proportion?

Mr. LONG. There were 2.9 million males 18 and older in the civilian labor force in 1950 with 16 or more years of education. Of these, 65,000 may be estimated to have been unemployed—2.3 percent.

Now, the not-in-labor rates for the same groups are equally interesting. These people, remember, are not even looking for a job.

*Not-in-labor-force rates in 1950 and 1959, by education completed, males 18 and older*

[Percent of civilian noninstitutional population]

Years of education	1950 <sup>1</sup>	1959	Change	
			Percent of civilian non-institutional population	Percent of 1950
0 to 4.....	24.0	34.8	+10.8	+45
5 to 7.....	15.1	22.3	+7.2	+48
8.....	12.5	17.4	+4.9	+39
9 to 11.....	8.6	10.0	+1.4	+16
12.....	7.0	7.3	+ .3	+4
13 to 15.....	21.4	16.6	-4.8	-22
16 plus.....	8.3	7.2	-1.1	-13
Males 18 and older.....	13.5	14.8	+1.3	+10

<sup>1</sup> Not-in-labor force in 1950 adjusted (1) to exclude institutional inmates from population; (2) to exclude persons whose labor force participation was undercounted at the census of 1950 compared with the current population survey conducted in the same month.

Mr. LONG. For the zero to 12 years of education, the proportions not-in-the-labor-force rise by 4 to 48 percent between 1950 and 1959, depending upon the level of education; in general, the more education the less the rise in the not-in-labor-force rate, that is the less the exodus from the labor force.

Senator PROXMIRE. In other words, the people who didn't finish high school were more likely to leave the labor force?

Mr. LONG. Yes.

Senator PROXMIRE. Isn't this not-in-the-labor-force likely to be a female category?

Mr. LONG. No, this comparison applies only to males 18 and over.

Senator PROXMIRE. I see.

Mr. LONG. Those with some college education show a decline of about one-fifth to one-seventh in the not-in-the-labor-force rates.

## EVIDENCE OF "STRUCTURAL" UNEMPLOYMENT

Senator PROXMIRE. Would you say that this is the best evidence of your contention that this structural unemployment represents a very serious aspect?

Mr. LONG. I feel it is supporting evidence that there have been structural changes which are apart from the total employment change.

Senator PROXMIRE. You feel that even if we increase aggregate demand that we are going to have a troublesome problem, would you pretty much support the views of Mr. Martin and the Federal Reserve Board that if you tried to knock down the unemployment rates much below 5 or 6 percent without substantial improvement in the structural situation through education and so forth, you are going to get inflationary pressure?

Mr. LONG. Some inflationary pressure, yes. I wouldn't want to predict how large it could be. But I doubt that we could push our unemployment rate down to 4 percent without seeing a continual upward pressure in prices.

Senator PROXMIRE. Without the structural?

Mr. LONG. Or a balance-of-payments deficit. We have reached a point now where Europe and Japan are so competitive in many areas that this holds down our rise in commodity prices. Prices can't go up because of the foreign competition. But we are losing out competitively in our exports and imports.

Senator PROXMIRE. They cannot go up, but we just lose some of our markets.

Mr. LONG. That is right.

Senator PROXMIRE. It seems to me that is a pretty feeble discipline also, because so much of our foreign trade, of our exports, is based on the governmental policy rather than on the competition. We export a great deal more food, many times more than we import, but it is almost entirely on a Public Law 480 program and other assistance programs, very little in terms of competition.

Mr. LONG. Of course, the remarkable thing in the structure of our imports and exports in the last 3 years: 1957-60—and I choose these years because the subcommittee's study laid great emphasis on that period—is the change in the composition of our foreign trade in finished manufactures. Finished manufactured exports have failed to rise and even drifted downward a little. But the big rise in our imports has been in finished manufactures, they have gone up 13 percent in that 3-year period.

Senator PROXMIRE. I will call on Professor Samuelson to comment.

Mr. SAMUELSON. I want to exercise, if I may, the privilege you have extended to us of questioning some of the other witnesses.

Senator PROXMIRE. Very well.

Mr. SAMUELSON. I wanted to ask Mr. Long two questions. One, you have pointed out that nonparticipation by males in the labor force is highly correlated with lack of education. Are the facts compatible with the hypothesis that after workers have been jobless for a long time they cease to declare themselves as active members of the labor force?



Mr. LONG. Well, I am not certain I understand your question. I would agree that it is the poorly educated people that you find in large proportions out of a job or not in the labor force—not even looking for a job.

Mr. SAMUELSON. I wondered if there was a possible explanation that would account for some or all of these facts.

I think of a jobless, ill-educated Negro of 55 who will never have another job between the time he is 55 and 65 or 70. The census interrogator comes around and asks whether he is looking for work. He answers no. He actually hasn't been looking for a job for 5 years, and he was out of a job perhaps for 10 years prior to that. We now live in an affluent society where his wife is able to get a job, and some money is coming in. Is that the kind of causal relationship that seems suggested by the figures?

Mr. LONG. This would relieve it to some extent. Were it not for this exodus from the labor force, Negro unemployment rates from 1950 to 1960 might have risen even more.

Mr. SAMUELSON. But your answer is not in conflict with the answer I was suggesting; it is in agreement with it.

Mr. LONG. That is right. These persons who have left the labor force, if you wanted—figuratively speaking—to put them back in, on the assumption that they left because they were unemployed, would make the structural problem even greater.

Mr. SAMUELSON. I wasn't thinking now of how you induce non-workers back into the labor force, but whether causally as far as the cold census statistics can suggest an explanation, it is that most men who aren't millionaires and who are not in poor health are out of the labor force for only one reason; namely, they have actually given up the hope of beginning a job after many years' experience job hunting.

Mr. LONG. Let me add a point to that which I think is important. Over the last decade and a half, since 1947, I have been impressed with the large increase in what I call the social minimum wage, which is the minimum wage itself, unemployment insurance benefits, old-age and survivors insurance, public assistance payments to the old, the blind, the mother of the dependent child—all of these things have gone up faster than wages have. I am not arguing that they shouldn't have risen; after all, people living on unemployment insurance or public charity, aren't eating very high on the hog. Nevertheless, their income from these subsistence or social security payments is increasingly favorable compared with what they could earn working, if you consider that they have no payment for carfare, for lunches, for work clothes, for taxes, and they have leisure to do things around the home. Increasingly, these payments have become, it seems to me, a fairly good alternative to working.

I am not arguing that enormous numbers are malingering. I am saying that these payments have taken a great deal of pressure off people to seek jobs or accept jobs. The rise of such benefits has been especially great, relative to market earnings, since 1957.

Senator PROXMIRE. You are saying that this may be a good thing from the standpoint of human happiness and well-being, these people, I presume, in most cases who probably shouldn't work, they may be getting awfully close to 65, or they may be wives who have children to take care of, or they may have other responsibilities that shouldn't

put them in the labor market, if the pressure was intense so that they have to eat, and buy the necessities of life, they would somehow, the necessity would force them to get a job. What you are saying is, these necessities have been somewhat alleviated now.

Mr. LONG. That is right.

Senator PROXMIRE. And the transfer payments have increased more than any other factors of income. This is a very interesting suggestion. I think Professor Samuelson has some more questions.

Mr. SAMUELSON. My other question had to do with what happens if you make a comparison between the 1930's and the war and immediate postwar years rather than with the postwar period of relaxation. Don't you see a reversal of the pattern, namely, that Negro unemployment was reduced more by high wartime demand than was true for other groups?

Mr. LONG. I would agree with that.

Senator PROXMIRE. If I may interrupt at this point, isn't it true that that is simply the sad fact that the Negro is the last hired and the first fired? His employment rate improved immensely in World War II because everyone was hired, but what Professor Long has done, which is to compare like situations in terms of employment, 1949-50 with 1959-60, when the overall rate of employment was the same, and saying in the latter period Negroes suffered more heavily from unemployment than the rest of the population.

Mr. SAMUELSON. Yes. But I think that some of the trends to which he is referring would appear even sharper if you didn't compare years of like degree of unemployment. Now, this suggests to me that in the long run, structural unemployment or hard core unemployment is more like a cake of ice than a cake of coal, it melts if high levels of employment opportunities persist for many, many years. The experience of depressed towns in New England and elsewhere confirms this. I was not advised in my testimony to speak of the effects of demand upon structural employment in the short run, in fact that is almost one way I would define structural unemployment, that kind of unemployment which was not responsive to changes in effective demand in the short run. In the long run, however, industry comes to New England towns, and the people in the New England towns move out gradually, they go, for instance, from Fall River to Portland, Oreg., if there are job opportunities.

So I would emphasize that even that small part of the dichotomy between structural unemployment and effective demand in unemployment, which is legitimate in the short run, is greatly weakened in the long run. They interact in an extremely important way, and I think a great deal of evidence has been advanced on that point. I am interested in Mr. Long's view on this, is it inconsistent?

Mr. LONG. I don't think it is inconsistent at all. I agree that the unemployment of the disadvantaged members of the labor force—the Negro and the poorly educated—fluctuates widely with aggregate demand, it goes up more than the unemployment of other groups when aggregate demand falls off and you have a deep depression, and falls further in prosperity than that of the other groups. I am in entire agreement that part of what seems like a structural problem is really due to changes in aggregate demand; although I don't think that prevents it from being a structural problem. It is still a structural problem and everyone here, regardless of his views on structural unem-

ployment seems to say that we do need to do at least something to get rid of their unemployment by means other than by spending money, by educating them and improving their mobility, and so on.

I agree with all these things. But what I am saying is that a part of structural unemployment is independent of the problem of aggregate demand. You can say that there have been two parts to the structural unemployment problem, one part due to fluctuations in aggregate demand, one part which has been independent.

Does that answer your question?

Senator PROXMIRE. The way you phrase that last part, you say that there have been two parts of structural unemployment or two parts of unemployment?

Mr. LONG. Two parts of structural unemployment.

Senator PROXMIRE. One is structural and one is demand?

Mr. LONG. No; I would say there are two parts of the problem of structural unemployment: One part does respond to changes in total unemployment and aggregate demand and is a cyclical thing; the other continues to grow apart from changes in demand.

Senator PROXMIRE. Before you go into the two points you would like to make, and before I interrogate Mr. Reynolds, Mr. Knowles has a question he would like to ask.

#### ARE THE PERIODS COMPARABLE

Mr. KNOWLES. It is really two questions. One of them is the question of whether or not from the standpoint of one of the points that you have made about the duration of unemployment, whether your two periods are actually similar. You have picked 1949-50 at the one end, and 1959-60 at the other end. From the standpoint of measuring the change in the duration of unemployment between two periods of similar average unemployment, are these two periods really similar? Technically the arithmetic wouldn't come out the same for these two periods.

Mr. LONG. Well, of course, if you get away from unemployment and labor participation rates, I don't know what other criteria you are going to be able to use. After all, it is a decade later, and many things have changed.

Mr. KNOWLES. I am not thinking about that at all, I am sticking to unemployment. The first period is preceded by very low unemployment and a very tight labor problem, and withdrawal of part of the labor force, mainly, the GI's from the labor force right after the war. And the second period is preceded by 1958 and 1957, which has relatively high unemployment, particularly 1958. And the mere fact that you had unemployment preceding the one period, and longer periods of high unemployment in the one period than the other, and the sheer arithmetic of this would raise the average duration of unemployment from one period to the other. So that's the two periods, the latter period at the end of the fifties would have higher average duration of unemployment than the first, and this wouldn't make any difference whatever as to the cause.

Mr. LONG. I think that is a good point. I don't know to what extent it would explain the difference, and I would still maintain that the increase of long-duration unemployment is a significant aspect of the structural problem. In any case it does not dispose of the other structural changes that I have named.

Mr. KNOWLES. I want to get to the other structural changes. I am a little bit disturbed here. You're pointing mainly in your argument to the connection between the degree of education and the skills on the one hand, and the unemployment rate or the degree of participation in the labor force as correlated with it. Now, this is a problem where there is a little intercorrelation to worry about, because the education happens to be also correlated with age, so that over this period the tendency would have been with a rising level of education for this to have occurred, because of a rising rate of education of the younger and newer entrants who would tend to have the higher skills and get the jobs, and the displacements would come to the older workers, particularly those getting into their late fifties, sixties, those would be mainly the unskilled workers, and in a period such as this, the unskilled worker would tend to be one with a high unemployment rate. So what you are getting is a correlation between age, unemployment, and education. I wonder what started this race, in other words.

Mr. LONG. Let me answer that. In the first place, unemployment is far more closely correlated with education than it is with age. Older people with plenty of education do not show much unemployment. In the second place, the same patterns have been observable when the comparison is narrowed to individual age groups or when the data are standardized for age. So the result I get is not just a drift in age over this period.

Senator PROXMIER. Professor Reynolds, I know that you have taken—I won't say a diametrically opposed position, but generally your position seemed to contradict that of Professor Long in regard to the importance of—you didn't even call it structural, as I recall; you called it frictional employment. And I wonder if you have any comments on Mr. Long's position, which I think is as about as well put as I have ever heard this argument before. I think it is very persuasive. I have never subscribed to that viewpoint, but I think he makes a strong case for it.

Mr. REYNOLDS. I suspect, Mr. Chairman, that if the members of the panel were put in a locked room for 2 or 3 hours for a time we would work toward a reasonably close agreement.

I think, in the first place, that none of us have questioned the need for measures to strengthen demand. I think we are very much in agreement on that. And I would be quite content to proceed along the lines which Senator Clark suggested. I think there have been many unmet needs in the public sector for quite some time. It is also true that, as we pump up our demand, we begin to have appreciable price increases. At 5 percent unemployment, or something like that level, we might run into considerable price pressure.

If we want to get down below that to, say, 3 percent—and this would be worth while, certainly—then we would have to work on two other fronts. We could reduce frictional unemployment, partly by the pumping up of demand, but partly also by measures in the labor market. I would like, for one thing, to see efforts to strengthen the employment service. I think we could do more through the State employment services than we have done to match people with vacancies. I think we could do a good deal through better occupational forecasting, vocational guidance, and things of that sort, and obviously through retraining and helping people to move to places where jobs

are available. There is no doubt that all these things help to get the feasible rate of employment higher than it would be otherwise.

The other thing which would help—and I am grateful for Professor Samuelson's trichotomy here—is to somehow reduce the pressure of sellers' inflation at high levels of employment. But I hope that no one will press me as to how this can be done. This is one of the toughest problems of economic policy. I think the gist of this, Mr. Chairman, is that I am not in serious disagreement with Mr. Long, or for that matter with any of the others in the panel.

Senator PROXMIRE. I would like to ask about a statement you made in which you discussed the fact that unemployment rates on the upside give a pessimistic picture. You listed four reasons for it. And then you said, many of the relevant facts need to be assembled. Now, this is exactly the kind of a situation that we want to know about. That is the function of this committee. What facts do we need, what statistics do we need that we don't have? What should the Bureau of Labor Statistics be gathering or doing that we don't have that you think would be useful under those circumstances?

Mr. REYNOLDS. We have most of the raw materials we need in terms of full-time unemployment rates, partial unemployment rates, labor force information, and so on. I think it would be interesting to try to put this material together into an index of unused labor force capacity, or something of that sort. I recall that there were in the study papers some experiments along that line with reference to part-time work.

I think this would be a very profitable thing to pursue. The full-time unemployment rate is significant for welfare purposes in terms of how many people are out of a job and not earning wages. But in terms of the distance to full employment, the unused capacity of the economy, I think that some measure of underutilization of the labor force would be a useful thing to have.

I agree also with the comment which someone else made that it would be nice to have more systematic information on unfilled vacancies. I think we have concentrated on the people looking for work, and we haven't been equally diligent in getting together the facts on what kind of jobs are unfilled at a particular time, and where they are, and how vacancies move over the course of the cycle. It would be nice to try to coax all employers into listing their vacancies. At the present time, most vacancies aren't even listed with the Employment Service.

Senator PROXMIRE. You suggest that we have something corresponding to our household survey of unemployment, a kind of a business survey or a back-door survey of some kind in which we actually go out and find what jobs are there?

I am not saying that we could do this in a big, extensive way, but as an occasional approach, to check it out to see if it would be worth while.

Mr. REYNOLDS. I think it would be interesting to try this on a sample basis and see what one gets from it.

Senator PROXMIRE. At any rate, you feel that the principal problem is demand, and you say that the booms have been successively weakened, there was insufficient total demand. Would you favor an expansionist monetary policy, or do you feel that the international situation makes that unrealistic or impossible?

Mr. REYNOLDS. Well, in general I favor expansionist policies. Of course this does run into the balance-of-payments problem. How one gets out of that would take more time than we have here today, even if I knew the answer.

As far as the unemployment problem is concerned, I have great faith in the efficacy of available jobs. I like Samuelson's melting lump of ice analogy. If you keep the heat on the labor market in terms of active demand and there are plenty of vacancies, this does gradually soak up unemployment, also people who will not say that they are in the labor force or actively seeking work may decide to seek work if the jobs are there.

Senator PROXMIRE. Would you agree with Mr. Kendrick generally, that we would be in a pretty good position by the end of 1962 or early 1963 with 4.5 percent unemployment?

Mr. REYNOLDS. I haven't even tried to add up numbers for the third quarter of next year.

Senator PROXMIRE. This is awfully important from the standpoint of policy. The Congress needs your competent, professional advice. If the Congress feels that the situation is going to take care of itself pretty well, this expectation is going to tend to influence us, not to press hard. Especially at this time when we have a lot of problems of budget balancing with big defense spending, such anticipation is going to impress Congress with the feeling that we probably should reduce rather than expand spending.

Mr. REYNOLDS. If I had to give an offhand judgment, I would say the figure of 4.5 percent unemployment as of next fall doesn't sound unreasonable. I wouldn't be surprised if we were somewhere in that neighborhood.

I am more concerned about the long-run outlook, for the reasons I have suggested. I have a feeling that unless we take deliberate action on a number of fronts, the sixties may not be as prosperous as the fifties.

Senator PROXMIRE. So far you have suggested primary changes in matching vacancies or needs for employment with potential employees.

Would you also suggest that there be basic changes in the tax policy?

Mr. REYNOLDS. We certainly need somehow to stimulate private investment. In addition to whatever we may do in the public sphere, we need to find ways of getting private investment up to a higher level, to a level which would be more nearly comparable with that of the West European countries. We can't hope to match the Japanese level, but we might aim at something between where we now are and where they are.

How to do this is extremely controversial, and I am in no sense an expert on it. The tax structure is certainly one of the key aspects of the problem.

Senator PROXMIRE. Thank you very much.

Now, Professor Samuelson, you indicated that the statistical need was not an overwhelming need, you felt that there were certain technical improvements that could be made, but the first several improvements you suggested were low priorities, and others, while of some importance, you apparently feel do not go to the heart of the unemployment problem. Now, this morning we had Mr. Bowman here. I am sure you know him. He is a man of solid reputation

in the Bureau of the Budget. He said that the Bureau of Labor Statistics this year is going to engage in a series of studies of unemployment, the most intensive being a survey in depth of the characteristics of unemployment, unemployment and job earning experiences over several years, the impact of their unemployment on labor force participation of other family members, and on family income and other factors affecting unemployment. It is my feeling, and I certainly could be disabused on this, because it is fairly recent, it is my feeling that we can help a great deal if we could find out far more than we now know about the actual experience of the people who have been out of work—how much do they look for work, how much can we persuade them to do so, how much can we persuade them to acquire skills, is this feasible, can they move, or would they move, et cetera? And of course you can afford to conduct this kind of study only on a scientifically selected sample basis. Still it seems to me you can get valuable information that we don't have now to see what we can do to cut down unemployment. How do you feel about this particular kind of study?

Mr. SAMUELSON. I agree that this is very important, and if anything in my testimony suggested otherwise, I would like now specifically to retract it. The more knowledge we can have in this field, the better off we will be. And the acquisition of knowledge is very inexpensive when compared to the magnitude of the problem itself. The problem of unemployment involves billions and billions of dollars of social loss. The appropriations that I have talked about to conduct research in these matters are in the order of magnitude of millions or at most tens of millions. So I think it is extremely important to pursue such a policy. I would agree with Mr. Bowman in that respect.

In regard to general manpower policy, I have here a statement made by Dr. G. Rehn. He, as I understand it, is the head economist in the Ministry of Finance of the Swedish Government. This is a copy of a memorandum discussing the Swedish experience which he prepared for the ECA meeting of economic advisers in Geneva in March 1961. I believe he points out in one or two places that what he is saying here in part represents his personal opinion and goes beyond what the Ministry of Finance of Sweden might hold. He calculates that the Swedish economy is spending about one-quarter of 1 percent of its national product for the purpose of things which are recommended under heading A, retraining courses for adults, 70 million Swedish kronor; employment exchange services, and such, 4 million Swedish kronor; a small amount of money for direct subsidizing of geographical movement, 5 million kronor. I was astonished that this added up, in the case of Sweden, to one-quarter of 1 percent of the national product.

He goes on to say, though probably this is a personal view and not a statement for the Ministry of Finance—

It will be a gain to the economy as a whole if we use four times as much as we now do; of course, after allowing some time for administrative digestion of increased appropriations.

Now, I cannot conceive that the United States would need to spend 1 percent of the national product for these purposes, because that amounts to billions of dollars. But I think that even if you begin to think about one-quarter of 1 percent of the national product, we still

fall far short of any such sums. The expenditure of these dollars would be extremely rewarding. They are dollars that meet Abraham Lincoln's strict definition that the Government should only do those things which the private economy cannot do by itself or do so well by itself. It is after all nobody's business from the standpoint of profit to go down into West Virginia and completely retrain these people or perhaps facilitate their movement out of West Virginia. The chambers of commerce are all in favor of retraining, but as for facilitating movement to other labor markets, the congressional delegations in those areas are against it. But it is the public's business to do so. The cost of the economy goes on all the time. The extra expenditures that are involved in the kinds of programs which I have been talking about would be money well spent.

Senator PROXMIRE. I want to be sure I understand this. What I have proposed here, or what Bowman proposed that I just mentioned, is extremely inexpensive. As a matter of fact, I asked him this morning to give us estimates, and he gave us \$1.2 million for the Department of Labor, and maybe \$2.1 million for Census, all together in the neighborhood of \$3 or \$4 million. He is going to give for the record the precise figure. But when you talk about retraining, relocating, we have the Area Redevelopment Act, which is a little part of this; part of that money goes into that. And we have the Manpower Training Act, which was pretty substantial; it was certainly in the hundreds of millions of dollars' category, and in terms of vocational education which we give now, that kind of thing, we could easily get into over a billion dollars, or a couple billion dollars. I think it would be an excellent investment. I don't know how we can go wrong with education as long as it is competently and carefully determined that this is going to be useful to us. But I think we can get up in the Swedish category if you widen your definition a little further.

Mr. SAMUELSON. My point certainly is that we are so far below this point in expenditures that everybody can recognize the proper direction.

Senator PROXMIRE. As far as public policy is concerned, there seems to be two areas in which people have concentrated their suggestions to Congress, those who felt that we had a serious unemployment problem and should act on it. One has been monetary and one fiscal. Mr. Meany—and again when he testified before us Monday—suggested that if worse comes to worse and if you can't solve it any other way, we ought to think seriously about reducing hours. And he is very concerned, of course, as he has been and should be as one of the leaders of organized labor in our Nation.

The prospect of increasing demand by governmental action does not look bright. There have been orders from the President, we all know about them, to reduce domestic spending. You move into the monetary policy area, and while I think the case is very good and strong, and I am all for it, and have been for a long time, the fact of life is that Congress doesn't control the Federal Reserve Board: we can but don't tell them what to do. The President has his limitations in that respect, too.

The Chairman of the Federal Reserve Board has indicated that he thinks we have easy money now. So the classic fiscal and monetary



areas of increasing demand are not immediately available to us.

Now, what will we do? We can think of reducing hours, but I am very reluctant to favor this at a time when we are being challenged as we are by the Soviet Union. Most of us don't want an economy of scarcity, we want an economy of abundance.

What do we do?

#### "LOW PRESSURE ECONOMY" NOT THE SOLUTION

Mr. SAMUELSON. I would say that I am very much against the reduction of hours in an attempt to match our labor force with the job opportunities that now exist. I would consider it to be most ironic, in a word a tragedy, if worst comes to worst, as you said, or as Mr. Meany said, and you had to use that particular route. It is to me a fantastic notion that Congress would vote a balanced budget and a Federal Reserve which sits in Washington would conduct a monetary policy such that the worst arrives, and we as a nation have to go to a 32-hour work week instead of a 40-hour week. The notion that Zurich bankers and Frankfort bankers are going to better off and that our balance of payments is going to be better off over any length of time because of solutions like this seems to me to fly in the face of reason itself.

I think if by omission the Government doesn't do the things that need to be done, the adjustments will be made in this way. I would say that the balance of payments is a problem which concerns me; it is a constraint within which my thinking always operates. But I will remind this subcommittee that we tried the low-pressure economy for some 6 or more years, and that did not leave us with a better balance of payments at the end than when we came in.

I think that you could possibly get some short-term relief in the balance of payments by some of the measures that have been described, but I think you will pay for it very bitterly in the long run. So I am against such adjustments.

I think if we have inadequate demand in the future, protectionism will be rampant in this country. And I think the arguments by economists like yourself that such a thing as comparative advantage exists, and that workers in industries adversely affected by foreign competition ought to leave those industries and go into other industries, will have a hollow ring to it, since there will be no jobs in the other industries.

So that what we must do in this light is minimize the disadvantages of all the different policies.

Senator PROXMIER. Let me just interrupt at that point, because I am inclined to agree with you very strongly, but in order to nail it down, I think the strongest argument that has been raised is that there is nothing magic about the 40 hours; we did reduce hours in the thirties, we did have a 48-hour week; before that we had a 60-hour week. This has been a matter of progress in America. Work is still something that most people find onerous; it is unpleasant and hard and tough. Leisure is something America has striven to achieve.

In the light of that, and in view of the great productivity we have, what is your answer to the argument that we might reduce hours to 32?

Mr. SAMUELSON. I very much favor a reduction in hours over the years and decades. If this reflects the true desire of the American people to take out in extra leisure the increase in real income which our productive system is giving us. But I deplore the necessity to

revert, not to second best measures, but to 75th best measures, in which you shorten hours only in order to make an existing amount of work go around. I hate to do this, but I want to disassociate myself from Mr. Reynolds in his rather sadistic view that jobs should be thrust upon people, and that people should be coaxed into the labor force. That is very far from my more kindly view of the situation.

What I do want is to give marginal workers a genuine opportunity to decide whether they will stay in the home or in the labor force. Then I am quite prepared to take their judgments in the matter. I don't think we have been giving people that opportunity. And I think we will increasingly, if we don't give them that opportunity, sweep under the carpet the problem of those who are hopeless and despondent, who say they are out of the labor force, and consequently don't even show up in the unemployment statistics.

Now, with respect to the problems of the future, in this recovery will the economic system by itself reduce unemployment to, let's say, a 4.5-percent rate, by the last quarter of 1962? I admire the way John Kendrick stood up to you on the problem of forecasting, but I also admire the caution he expressed about the unreliability of such forecasts. The forecasts necessarily must be unreliable. If I were to register an opinion, I think that Mr. Kendrick at the present time in estimating a GNP of \$580 billion for the fourth quarter of next year is high on the totem pole. I happen to sit rather high myself, but I have noticed how rare the atmosphere is. The typical business economist's forecasts which have been passing over my desk in the last few weeks are not quite so high.

I would also guess, taking into account changes in productivity and in labor force participation, and all the rest, that a GNP of \$580 billion in the fourth quarter would result in an unemployment rate nearer to 5 percent than to 4.5 percent. But I would gather that there is no real difference of opinion between us, because Dr. Kendrick seems more eager to shade his estimates upward than downward.

Let us take the estimate of a 4.5 percent unemployment rate. That is nothing to write home about, in my opinion. It means that there probably will not be any improvement in the last months of 1962. We speak about a 4-percent unemployment rate as a goal for lack of better, because there isn't any point any more in talking about 3 percent. At the moment the feasible goal is 4 percent. I think that 4.5 percent isn't 4 percent, that half percent is a big difference. I also think that 4 percent will melt through time if we do our job well, and it will then cease to be academic to begin to talk about 3.5 percent.

I will remind you that according to most of the estimates I have seen, that if we get to a 4.5-percent unemployment rate, it will be at a rather late stage in the recovery. We will get there at a time when the National Bureau's analysis of the length of the average business cycle suggests that the recovery is getting to be quite old, though not ancient. We will remain at this unemployment rate for only a brief period of time unless the figures for 1963 are more bullish than most of the business economists' estimates that I have seen for 1963.

So there is no room, in my judgment, to be complacent about Adam Smith's economy, as Senator Clark referred to it, about the belief that an invisible hand is going to take care of this problem.

On the other hand, I have argued throughout this year that the recovery, the Kennedy recovery, was going to reduce the unemployment rate. The fact that the reported figures did not show any improvement was, in my judgment, to be explained and not after the fact but even before the fact, by bad seasonal adjustments, or at least by what I considered to be bad seasonal adjustments.

Senator PROXMIRE. You mean, this was a technical error?

Mr. SAMUELSON. I shouldn't call it an error.

Senator PROXMIRE. Or was this a technical failure?

Do you feel that if the adjustments, seasonal adjustments, had been properly computed, that they would have been different than the figures reported?

Mr. SAMUELSON. Yes. And I am not alone in this feeling. Perhaps you might want to put in the record a letter that I wrote to the New York Times which appeared last month.

Senator PROXMIRE. I would like very much to.  
(The letter referred to follows:)

[From the New York Times, Nov. 12, 1961]

#### LETTERS TO THE TIMES

#### ESTIMATING UNEMPLOYMENT—SAMUELSON QUESTIONS METHOD OF SEASONALLY ADJUSTING FIGURES

The writer of the following letter, professor of economics at the Massachusetts Institute of Technology, served as an economic adviser to Candidate and President-elect Kennedy.

To the EDITOR OF THE NEW YORK TIMES:

The American economy has been in a fairly vigorous rise ever since last February. Everything seems to be improving: production, income, wages and profits. The one flaw in the picture has been the apparent failure of unemployment to improve.

At last report (October) 6.8 percent of our civilian labor force was stated to be unemployed on a seasonally corrected basis—which suggests no improvement in the level that we have been experiencing for the previous 11 months of recession and recovery. How can we square this with the fact that the Federal Reserve Board's index of physical production has risen from its February low by about 10 percent? Can, as some have suggested, blame be put upon the Kennedy administration for the failure of unemployment to improve?

I should like to suggest that the answer is a simple one. It is an answer that is well known to experts outside and inside the Government. And in my view it goes a long way toward vindicating the evaluation of America's economic prospects that was made earlier this year by President Kennedy and his economic advisers. The answer is this:

While correct in presenting the ground level of our joblessness and its long-term trends, the official method of seasonally correcting raw unemployment statistics to arrive at the best estimate of unemployment is open to reasonable questioning.

#### METHOD OF BLS

If you replace the official method by an alternative technical method sponsored by a number of academic and other experts (the so-called residual method which the Bureau of Labor Statistics has been itself experimenting with in this and the last administration), you find that unemployment has been falling steadily from its February peak of 7.2 percent of the labor force to the October level of 6.4 percent.

The following table contrasts the official with the alternative residual estimate of seasonally adjusted unemployment.

*Seasonally adjusted*

Month	Percent unemployment		Month	Percent unemployment	
	Official method	Residual method		Official method	Residual method
January.....	6.6	6.9	June.....	6.8	7.1
February.....	6.8	7.2	July.....	6.9	6.8
March.....	6.9	7.1	August.....	6.9	6.7
April.....	6.8	6.8	September.....	6.8	6.6
May.....	6.9	6.8	October.....	6.8	6.4

The press is not the place to discuss the technicalities of statistical corrections. But a sentence on the subject may perhaps be forgiven me. The official method, which has proved itself to be an optimal one in thousands of other statistical reports, takes the raw unemployment percentages and applies to them the indicated best seasonal corrections; the residual method makes a seasonal correction in the employment figures and in the labor force figures and then calculates the difference as the best estimate of unemployment.

Ordinarily, but not in times of considerable unemployment, two such methods give similar results; and in any case by next spring all seasonal corrections have to wash out and the two estimates must come into alinement.

## FORECASTS BORNE OUT

Some important conclusions are implied by the above.

The Kennedy recovery is improving the unemployment picture in the same moderate degree that was forecast by Dr. Walter Heller, Chairman of the Council of Economic Advisers, and other administration spokesmen.

The unemployment percentages will continue to decline in the months ahead.

But as Secretary Dillon and Chairman Heller have maintained in the face of opposition criticism, the present facts do not make it a reasonable guess that unemployment will have dropped to the 4-percent level any time in 1962.

May I add a final word? These days there has begun a campaign of vilification of our unemployment statistics. They are accused of being inaccurate, of being based on a random sample, as if randomness implied despicable carelessness; of being politically biased; of exaggerating our unemployment in comparison with that of Europe, and so forth.

While scholars recognize the problems involved in this matter, they know most of the popular criticisms to be simply misinformed if not malicious and captious.

The question which I have raised here has nothing to do with the basic numbers. The choice among methods of seasonable correction affects only the month-to-month pattern; the rate of unemployment for a full year will be the same either way.

My remarks imply no criticism of the BLS, which adopted the present methods long before the Kennedy administration and which knows full well the technical pros and cons of the argument. If anything, praise is due our able civil servants for sticking to their standards even when this turned out to be adverse to the Government in power.

PAUL A. SAMUELSON.

CAMBRIDGE, MASS., November 8, 1961.

Mr. SAMUELSON. And I may say that before there was any knowledge of the November figures, I stated the view that the residual method—I don't call it the proper method, there are still other methods—comes closer to reflecting what has been happening to the economy than do the official figures.

Senator PROXMIRE. Would you go a step further and evaluate the November figures?

Mr. SAMUELSON. Yes. The official estimate of the unemployment rate dropped from 6.8 to 6.1 percent in November, the first time in 11 months that the unemployment rate was less than 6.8 or 6.9 percent.

The alternative method, which I think many of the experts believe has certain merits in its favor, registered 6 percent. So that the discrepancy between the two was narrowed considerably. My own best guess is that the November figures were completely in line with the technical viewpoint that I have been expressing.

Senator PROXMIRE. That means two things: One, it means that the figures were too high during the year, and the other means that this improvement wasn't nearly as much of an improvement as it might seem. It was very heartening to people that we had this terrific drop in the seasonally adjusted unemployment figures. But actually it wasn't so much of a drop.

Mr. SAMUELSON. Let's put it this way: The official estimate registers a seven-tenths-of-1-percent drop, the alternative figure, which I consider to be preferable, also registers a very substantial and surprising drop, from 6.4 to 6 percent. This, however, is four-tenths of 1 percent rather than seven-tenths of 1 percent.

Senator PROXMIRE. It seems to me that there are other reasons for the higher figure that we had in October, that this was—that there was some extraordinary explanation.

Mr. SAMUELSON. They were the September rationalization sir, rather than the October.

I want to make clear that the sort of criticism that I am making I deem not to be the kind of criticism that appeared in the Reader's Digest on unemployment statistics. There is a technical argument to be made on both sides.

Senator PROXMIRE. We had a very good explanation of the residual method and the reason why they preferred the method that they used to the residual method this morning by Mr. Bowman. And he recognized, though some competent critics disagreed, he felt that the predominance of opinion was on his side.

Mr. SAMUELSON. Yes. I would say that the seasonally adjusted unemployment rate, as measured by the best method possible, has been probably declining in a rather steady fashion since February. In my view this decline is nothing to write home about, either. It has been an inadequate rate of decline in terms of social goals.

On the other hand, it has been in line with the expectations of economists who made gross national product predictions premised upon the administration and congressional programs which have been legislated into law as modified by the subsequent defense crisis.

I think that this progress will continue. I think that if the unemployment rate gets to the neighborhood of 4.75 to 5 percent by the end of 1962, that is a lot better than 7 percent. It is not so good as I would hope—

Senator PROXMIRE. It is terribly discouraging from the standpoint that it is probably occurring pretty much at the peak of our cycle, too, isn't it? Maybe not; but you were talking about how the cycle began—

Mr. SAMUELSON. It is rather discouraging, but not terribly so. It is better than we did the last time around in 1960. But that was a boom such as we don't hope to enjoy very often in the future in this country.

Senator PROXMIRE. Mr. Long wanted to comment.

Mr. LONG. I would like to say one or two things in support of what Professor Samuelson said.

Senator PROXMIRE. Incidentally, before you do that, I want to say I want you to go ahead and comment fully, though the hour is late. And I want to apologize to you gentlemen for keeping you here. It has been extremely helpful. But I think it would be helpful also, in view of the fact that there is only one professional economist in the U.S. Senate—there may be one or two in the House—but there is only one in the U.S. Senate, and that is Paul Douglas of this committee.

All of us are looking to testimony such as yours for advice. I think it would be very helpful if each of you would give us a summary statement as precise as you could make it on what policy recommendations you could advise the Congress to take in this coming session with regard to the unemployment problem. This is a very rare opportunity for us to get four economists who have been thinking about it and working on it as you have.

So if you could do that after Mr. Long comments on Mr. Samuelson's position, I think it would be helpful.

Mr. LONG. Professor Samuelson has been saying that the unemployment rate, if properly adjusted, has been falling all year. His position is supported by the seasonally adjusted unemployment insurance data which show that unemployment fell from 6.3 percent in March to 5 percent in November. I wouldn't want to argue that they support his position in any precise way, but they certainly give a very good impression that there may have been more recovery than indicated.

On the other hand, this drop that seems to have occurred from October to November may be in question. I don't know that I would agree with Professor Samuelson's position as to the residual method.

I am opposed to using residuals, because you never know what is in a residual. On the other hand, there are many problems of seasonal adjustment which are apart from what you might call statistical problems. For example, is there really such a thing as a typical seasonal pattern? In other words, isn't each year different? Weather behavior, style changes and many other factors are involved. Also there may be a difference between the seasonal pattern in a period of high unemployment and in a period of low unemployment. If, for example, you adjust the 1961 monthly data by the seasonal pattern for 1958 or 1954, when the unemployment level approximated the present level, you do not get a decline in unemployment such as occurred from October to November. Such an adjustment shows virtually no decline at all.

Mr. SAMUELSON. I just want to say one thing. I don't think the residual method is the ideal method. But I am leaning upon the work of Prof. John Brittain of Vanderbilt University. He has computed a third method which takes into account the amplitude and lets all of the data decide what the correct seasonals are. Then he has compared these seasonals with the residual method which he at an earlier stage advocated, and with the official method. He finds that the discrepancies between the residual method and this third method, which is not explicitly done as a residual, are negligible, whereas the discrepancies between the official figures and the third method are

very substantial. I would also say that we are both in agreement that part of the November drop is excessive.

Mr. LONG. There are a number of questions that have been asked here concerning the prospects of unemployment subsiding to a low level in the next year or two. I have a short statement, a paragraph or two, which I had written for another occasion, that may be of interest here.

Senator PROXMIRE. Go right ahead.

Mr. LONG. I have said that in order to reduce the unemployment rate to 4 percent of the labor force, 2 million new jobs would be needed compared to the average unemployment for 1961; that is, an instantaneous reduction to 4 percent unemployment would need 2 million more jobs. An additional 1.3 million new jobs would be needed each year to keep up with the projected annual increase of the labor force caused by mere growth of working age population. This is assuming no change in the labor force participation rate. (Incidentally, I do not subscribe to the view that the labor force participation rate changes in any systematic way with the business cycle. If we raised the participation rate from the present level of 58.3 percent, which it was in 1960, the last full year, to what it was on the average for 8 years when the unemployment rate was around 4 percent, this would involve a rise of only two-tenths of 1 percent, which will only be a couple hundred thousand—a negligible amount.)

Let me go on. A return to 4 percent unemployment within a year would require  $3\frac{1}{3}$  million new jobs, or nearly 5 percent of present civilian employment; in 2 years almost 5 million new jobs or nearly 7 percent of present civilian employment. Can this many workers find jobs in the next year or two?

One approach to this question is to look back over the past employment record to see whether, and under what conditions, the economy has provided this amount of additional employment in 1 or 2 years. The record is not particularly encouraging. In most instances, percentage additions to jobs of the magnitude required occurred during war—the two World Wars and the Korean war. The other instances have been largely, though not entirely confined to recovery from fairly deep recessions, as in the 1895 recovery from the depression of the early nineties, the 1910 recovery from the recession of 1907–08, the 1923 recovery from the recession of 1920–21, and the 1934–36 recovery from the depression of 1929–33. In the recessions just cited the unemployment level had been much higher than it is now. The record is less encouraging still that so rapid a gain in employment can be accomplished without inflation. In most instances sharp recovery of employment was accompanied by notable inflation of wholesale prices, 12 percent in 1909–10, 31 percent in 1934–37, 53 percent in 1916–18, 31 percent in 1941–43, 16 percent in 1950–51. Only in 1895, 1904–05, in 1922–23 was a rapid employment gain associated with stable prices or a modest price inflation. The employment record of the past several years suggests that a return to the 4 percent unemployment level by the end of 1963, while possible, is not highly likely without war or—here is my face-saving hedge—some inflation, or some deficits in the balance of international payments.

Now, let me, then, go on to my statement on the matter of policy here.

There is nothing sacred about preventing inflation at all costs. I don't think we are going to get full unemployment, that is, 4 percent

or less, without some inflation. And I am inclined to feel that it would be worthwhile to accept some inflation or some difficulties with our balance of payments in order to reduce unemployment.

On the other hand, that gets back to a political problem. I have the feeling that since 1952 and perhaps earlier we have had a kind of middle-class revolt against inflation. There is a strong sentiment in this country to hold prices down, and anyone who offers policies which will involve us in some inflation—which after all affects nearly everybody—takes greater political risks than when he offers to accept some unemployment, since unemployment touches only a small percentage of the population. So this comes back to what you fellows have to come against when you go out in the hustings and defend your policies to your voters.

Senator PROXMIRE. Up until, I would say, quite recently—my experience in the Senate is only 4½ years—but up until quite recently there wasn't the very sharp reaction I think to the inflation possibility. This is only a matter of the last 2 or 3 years, when it has been extremely heavy, very forceful. It is not as heavy now as it was 2 or 3 years ago against any kind of governmental spending policies. There is that pressure now, it is strong, and it does have considerable potency.

However, would you argue that a reduction down to 3 or 4 percent, which is, has been indicated, not something to be proud of in view of our record, or in view of the record of other countries, that that would necessarily be inflationary in a substantial degree in the proportion that you have been talking about, that is, inflation of 16 percent—

Mr. LONG. I would not argue that getting back to 4 percent unemployment if we took enough time about it, would necessarily involve us in any inflation like that. It is the question of how rapidly you want to get the 4 percent. If you tried to get down to the 4 percent unemployment within, let's say, the next 6 months or year, your inflation would be quite sharp. If you are willing to spread the return over a somewhat longer period you would get by with less inflation. I also think that the international balance of payments problem is going to prevent us from getting much inflation because—so far as the commodity section is concerned—it is very difficult for prices to go up, since immediately gold starts going out and goods start flowing into the country to keep them down. Our main inflation in the last couple of years has been in the service sector which has been insulated in a large degree from international competition.

Senator PROXMIRE. It looks as if what Congress is going to do in the coming session is to increase the defense budget from 5 to 6 billion, perhaps more, there has been no disposition in the past on the part of Congress to refuse the request of the Executive for defense spending. We will probably maintain pretty much the present level of spending in other areas, possibly increase or decrease it slightly, but not much of a change, and probably not much change in taxes, because of the feeling on the part of many people that any time when we are spending at an increased rate we can't cut down, and in an election year you don't increase them. I guess that has been the regular pattern.



It is unlikely that the Congress would do much, we never have, to cause the Federal Reserve Board to change their policies. Resolutions have not been passed to that extent.

So in the light of this practical situation, and in view of the recognition that all of you gentlemen have indicated that we have a serious unemployment problem, that there is a great deal of human misery, a great deal of lost production, a serious Communist challenge, what do you propose that we do?

I will start with Mr. Kendrick and go down the line.

And I submit that this will be the last question, so you don't have to worry about speaking any longer. You have been very, very patient and helpful.

Mr. KENDRICK. Stated briefly, your question is, What should the governmental expenditure policy be in the coming—for fiscal 1963, or, since you say—

Senator PROXMIER. It would cover taxes, spending, monetary policy—we have our influence on it, we are supposed to have, the Constitution gives it to us.

Mr. KENDRICK. I don't want to change particularly the set of policy recommendations I have in my paper, which was for some attack on the structural unemployment such as is contained in the Manpower Development and Planning Act of 1961, because, as we pointed out, that will help us reduce the inflationary pressures as we get down toward 4 percent, which I think is desirable even though the unemployment problem will not be as great next year, but still the inflationary problem will be greater, so it is desirable.

Incidentally, we felt that Mr. Long was really putting in a big hedge when he said that we won't get 4 percent unless we have several things, including inflation. After all, we have been having a mild price inflation even at 6 percent unemployment. So we certainly will be having some at 4, and undoubtedly more.

Now, with respect to the spending policy, it seems to me that there are two choices that the Federal Government can make, and that is, between increasing expenditures sufficiently to absorb to a large extent the increase in tax revenue, or the possibility of decreasing taxes in order to encourage private spending. And I believe the choice between those policies as we approach the balanced budget point depends on the relative urgency that is attached to the public projects. So in the case of defense, certainly that takes priority over everything, if there is a clear demonstration of need. But as far as the civilian works are concerned, it is a question as to whether these yield more than a private investment would yield on some sort of cost benefit comparison. And I don't know enough about the proposed public projects to form an opinion, to decide whether these are important, to answer Senator Clark's question as to whether we should have more public construction. It is quite possible many public construction projects would yield more than the private projects. On the other hand, to the extent we think the private projects would yield more, I think we should reduce taxes or give a tax credit for our plant and equipment spending proposed in order to bring up that type of investment.

I believe this is all the elaboration I want to give to what I have written about policy.

Just one final point on statistics, if I might, and that is that I think that the survey of the unemployed with some depth must be accompanied by a survey in some depth of job vacancies, because then we can match to see the occupational, the geographic, the industrial composition of both the unemployed and the job vacancies, and watching over time the trend of these, we get very good clues as to proper policies with respect to training and moving, and so on.

Senator PROXMIRE. Thank you, sir.

Professor Long?

Mr. LONG. My remarks are not going to be very extended on the matter of policy. As to defense expenditures what we spend ought to be governed entirely by our defense needs, and should not be governed by whatever we need to do so far as creating employment is concerned. I don't think very many people would quarrel with me on that.

On the matter of public works, if people are thinking of public works of the same type I am, mostly large projects, it seems to me that these are poorly adapted for dealing with the problem that we have here, partly because we ought to put public works in the areas where they are needed and not where the unemployment is greatest. And partly because it is hard to turn them off and on and to regulate their construction to just the precise amount for dealing with this rather delicate unemployment problem.

I think public works are ideal for great depressions such as the thirties, but I don't think they are well suited for the type of problem we are experiencing now.

So far as taxes are concerned, I suppose the best way of getting money into circulation is to reduce taxes, because this does give the people their own money and enables them to spend it for the things they want to buy; in a free economy this course offers the greatest amount of freedom and the greatest amount of utility.

The only problem with taxes, and I don't need to tell the Senator this, is that when you get them down it is almost impossible to get them up. And we have so many long-range programs in this country, for education, for defense, for internal improvement, and so forth, that seem to call for a higher longrun level of taxes, that it would be rather risky to try to reduce taxes just to get rid of a certain amount of unemployment.

So far as job vacancies are concerned, we ought to have surveys of this. But I think unemployment is a little like the demand for travel over a proposed new road. If you propose to build a highway over a certain stretch you can never hope to go out and count the number of cars that have backed up there waiting to travel that proposed road. In the same way it is going to be difficult to go out and find the true demand for labor by counting vacancies. When you provide the increased jobs you provide the people with the money that they can then spend to create other jobs, so that the creation of jobs comes with the creation of jobs. You rarely ever find a situation—

Senator PROXMIRE. You put a low priority on this job vacancy search, or no priority? Would you just not encourage it, or would you say, do it—

Mr. LONG. I think it is a good thing, and I think you will learn something by it. But I don't think you will ever get out of it a true

measure of what we might call backed-up demand that is not being satisfied, let us say, because of structural difficulty, and so on.

Senator PROXMIRE. Thank you, Mr. Long.

Professor Reynolds.

Mr. REYNOLDS. I would just say again that I think the most important measures lie on the demand side. I think we should find ways to stimulate private investment, but not necessarily through a general reduction of the corporate income tax. What we need is not just larger corporate earnings, but a higher level of reinvested earnings. I think one could find ways of strengthening the urge to reinvest profits in new plant and equipment.

I think also that there are opportunities for new public investment, as has been suggested, and not just in physical projects but also in human capital—education, research, and things of that kind. I would be rather aggressive about pushing such measures.

Pumping up demand does involve probably an upward tendency of prices, but this is nothing new, as I think one of the other panelists has indicated. It goes way back to the 1880's and 1890's. Periods of economic expansion have normally been periods of rising prices. This is not terribly new, and I think one can easily get too frightened about it.

I would subscribe to Professor Samuelson's campaign against hours reduction as a short-range remedy. This is a very inappropriate remedy for a short-run deficiency in demand. I think hours will decline gradually over the long run. That is all right. But to try to get out of a recession by cutting hours to 32 or something like that is simply defeatism.

As regards measures affecting the labor market directly, I can't think of anything that hasn't been mentioned. We mentioned research on unemployment, we mentioned strengthening of the unemployment service, we mentioned encouraging geographical movement of labor, training, and so on.

Just one cautionary word on the training side. There is always a danger of training people in abstraction from actual job openings. Training programs need to be tailored to prospective demand by skill, by region, and so on. Unless the people, after training, are absorbed, this can be very demoralizing to them and to the program as a whole.

Senator PROXMIRE. Thank you very much, Mr. Reynolds.

Mr. Samuelson.

Mr. SAMUELSON. The hour is late. I think I have indicated the general tenor of my recommendations. So perhaps it isn't necessary for me to enlarge upon them now.

Senator PROXMIRE. I want to thank you gentlemen very, very much. As I have said, this has been extremely helpful and useful. And I want to apologize for having kept you so long. But it was worthwhile for me and the subcommittee and the Congress.

Thank you very much. This terminates the hearings of the Statistics Subcommittee. We will stand adjourned.

(Whereupon, at 5 p.m., the subcommittee adjourned, subject to call.)