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THE PRESIDENT HAS SEEN. *dsf*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 13, 1974


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MEMORANDUM FOR THE PRESIDENT

Indirect evidence indicates that we are likely to get another marked rise in the unemployment rate for the month of December (to be issued in early January). Layoffs continue at a high rate since the unemployment data were last collected in mid-November. During the first week of December approximately 600,000 seasonally adjusted new applications for unemployment insurance were reported under State programs. Part of this, of course, is the coal strike effect, but indications are that layoffs are fairly general across industry.

In many respects these initial claims for unemployment insurance, which are our best indicator of layoffs, are more important than the level of unemployment. The reason why the unemployment data are so sensitive a measure of confidence in the economy and political concern is that a very high rate of layoffs, and hence a rapidly rising rate of unemployment, creates great fear and insecurity among the 93 1/2 percent of the work force which is currently employed.

Paradoxically there is more job security for the employed in a market in which unemployment is declining from 12 percent to, say, 10 percent than in one in which unemployment is rising from 5 percent to 7 percent. In the former case the layoff rate is very low; in the latter very high. Hence it appears that we are now in a period of maximum fear and insecurity with respect to job security. Even though we project the level of unemployment to rise appreciably further into 1975, the layoff rate, and the sense of job insecurity for those still employed, should be easing in 1975.


Alan Greenspan
Chairman

