Similarly in second quarter 1962, total national production was about $73 billion or almost 12 percent below maximum production. Let me say, parenthetically, that Chairman Heller in his statement yesterday said that national production was about $30 billion below the true level. He obtains this figure by projecting a $3\frac{1}{2}$-percent growth rate from 1957 or 1955 as being consistent with maximum employment and production. I have shown before this committee, on other occasions, and will show again, that this is a very much lower growth rate than can possibly absorb the new technology and the growing labor force.

As a matter of fact, the reason why the recovery in the first three quarters of 1961 came so far short of getting us back to full employment, and why the economy has done so much worse since then than was anticipated by many of the forecasters, including the Council of Economic Advisers, is that they have persisted in understating the growth rate needed to regain and maintain maximum employment and production.

In other words, the underestimate of the size of the problem is the first step toward taking inadequate remedies.

Since late 1961, we have been in still another period of economic stagnation, with an annual growth rate of only 3.5 percent from fourth quarter 1961 to first quarter 1962, and only 2.8 percent from first quarter 1962 to second quarter 1962. Of course, those figures cannot be related to the 5-percent growth rate that I think is needed in the long run, because you need a much higher growth rate than 5 percent when you are in a recovery period. That rate would merely hold you where you are with respect to unemployed plant and manpower.

And many indexes of activity tend to reveal an overall growth rate even lower if not negligible or negative in June and July. All signs now are that this latest stagnation will end up in the fourth recession since 1953, and trying to guess—let me underscore this—trying to guess whether this will happen later this year or in 1963 is a sad and fruitless misdirection of energy.

In view of the dismally consistent long-term record since early 1953, we are closing our eyes to reality and playing with fire when we ask for another few weeks, and then still another few weeks, to see where we are going, or when we look at every little ripple from week to week in order to squeeze consolation out of the inconsequential. We have done very badly for long enough; the time to start reversing the course is now.

I do not share CEA Chairman Heller's apparent view, expressed in his testimony yesterday, that the fast rate of upturn during the first three quarters of 1961, or how much better we have done in recent years than in the 1930's, may have some bearing upon where we are now and what we should do.

With reference to my analysis of the causes of our chronic economic difficulty, which is my second point, the central cause of this difficulty is that ultimate demand, composed both of private consumer outlays and public outlays for goods and services, has failed consistently to keep up with our increasing power to produce, as generated by business investment, improvements in technology and automation, and enlarged worker and managerial skills. In second quarter 1962, measured as an annual rate, a deficiency of about $56 billion in private consumer