

Mr. KEYSERLING. My chart five, taking into account unused plant and unused manpower, estimates the size of the deficits in total national production. The chart shows a deficit, as I have said, of about \$73 billion, annual rate, by the second quarter of 1962, coming to almost 12 percent of maximum production capacity. These are really underestimates, because I have no way of estimating the underutilization of manpower in the plants when they are running at 50 or 60 percent of capacity.

I have no way of estimating the accelerated technology and productivity which would result from full use, so these are very conservative estimates.

Now I come to an analysis of the basic reasons for the trouble, and this gets very closely into the matter of tax policy. My view is that the deficiencies in total national production have occurred mostly because of deficient private consumer demand. The three parts of the economy which make up total national production are consumer demand, public outlays, and investment.

Taking consumer outlays first, my fifth chart shows in the bar on the far left in the job sector, the needed rate of growth in consumer outlays, and in the following bars the actual rate which, as you see, has been very much lower. In the bottom sector, I attempt to show the portion of the total deficiency in national production which is made up of the deficiency in consumer outlays. For example, in the second quarter of 1962, the deficiency of about \$73 billion in total national production includes a deficiency of about \$56 billion in consumer outlays. If necessary, I will develop these figures more on questioning.

Moving over to my sixth chart, some people think that consumers aren't spending because they don't want to. Indeed, the rate of saving is too high. But nonetheless, the basic reason is income deficiency. The top sector of this chart compares the actual levels of consumer spending and income. The bottom sector makes an estimate that, for the 9½ year period as a whole, the deficiency of over \$250 billion in consumer outlays correlated roughly with the deficiency of about \$337 billion in consumer incomes before taxes, allowing for taxes and allowing for savings.

My seventh chart shows that there has also been some deficiency in public outlays, mostly at the Federal level. The top sector of the chart shows the declining size of the Federal budget, relative to the size of the national economy. The second sector of the chart shows in uniform dollars the declining level of per capita outlays.

The first is a measure of the economic problem. The second is a measure of the national need.

Coming to my eighth chart, the Federal budget reflects national economic deficiencies, and I brought this out earlier in my testimony. The top sector of the chart shows the annual deficiencies in national production over the years. The middle sector of the chart shows the actual condition of the Federal budget, and, as you see, it was generally in surplus very early in the period and generally in deficit later in the period.

The third sector of the chart compares the size of the deficits in national production with the condition of the Federal budget, and shows obviously that as the national production deficit has increased, the Federal budgetary deficits have become larger.