The performance of the economy in the last few years, and in particular the disappointing record of the present recovery, provide important guidance as to the kinds of measures that are needed. Four points in this record are especially noteworthy.

First, it should be clear from recent experience that we can't produce the economic growth we want merely by the increase in Federal spending. The fact is that in the fiscal year just completed net budget expenditures of the Federal Government rose by more than $6 billion.

This followed an increase of $5 billion in the fiscal year 1961, of which nearly 80 percent was incurred in the last 6 months of that period. And I would judge that more increases are in prospect. The budget presented to the Congress in January 1962 projected a rate of expenditures for fiscal 1963 which would be about $6 billion higher than the fiscal 1962 rate.

Thus, we have had a $10 billion increase in Federal expenditure rates in the last year and a half; and if things turn out as projected in January, we shall have had a $16 billion increase in 2½ years ending June 30, 1963. There has been a sharp increase, also, in spending by State and local governments. The economy has lagged, but no one can say it has lagged because it got no boost from Federal spending.

Second, not only have we had a sharp rise in Federal spending but it has been deficit spending, which is widely regarded as being a very strong tonic for the economy. But if a deficit in the Federal budget with expenditures rising will stimulate the economy, then we should be enjoying a good deal more stimulation than we are feeling right now. There was a deficit in the conventional budget of nearly $4 billion in the fiscal year 1961, and a deficit of $6.3 billion was registered in the fiscal year just completed. And still the economy lags.

There are all kinds of reasons why our country, with its heavy responsibilities in the free world, should keep its financial housekeeping in strict order, but if we were to put all of these powerful arguments aside and simply look at the record as pragmatists I don't see how we can escape the conclusion that the Federal budgetary deficits just don't work the magic they are reputed to perform.

Third, it is not easy, either, to see a ground for complaint that consumer buying power has not increased rapidly enough. Between the first quarter of 1961, which was the trough quarter of the 1960–61 recession, and the second quarter of this year, disposable personal income rose more than did personal consumption expenditures. Reflecting this fact, the annual rate of personal savings went up by about $3 billion, and the savings ratio rose from 6.7 to 7 percent.

Fourth, the record shows very clearly that the one major element in our economy that has been really lagging is the volume of expenditures by private business concerns on plant and equipment. While other major categories of national product have been increasing very well, and some, such as governmental spending, have been rising sharply, producers' expenditures on durable goods have hardly increased at all.

They rose in the recovery period, but not nearly enough; and, looking at their behavior over a longer period, they were barely larger in the second quarter of 1962 than they were in the second quarter of 1960.