

our problem is growth and if I am right that this is what is lacking and you get the economy really chortling at \$600 or \$650 billion GNP, then your taxes will roll in at these low rates.

We have quantified the economy in terms of the gross national product in terms of what might be accomplished if everybody were working. Then we said, "My gosh, everybody is not working; this is our lag; this is our failure."

Now, the quantification does not tell us anything about the economy at all. It is merely a description—a certain set of statistics based upon certain sets of assumptions made by our economists at Harvard, Michigan, or elsewhere.

What we all want to find out is why the dickens do we have this anemic performance. I think our anemic performance is in part because we are the leading nation in the world. I said that in my paper. We cannot expect to grow more rapidly until we get some new industry, something entirely new that revitalizes our economy and makes us want to spend.

Senator PROXMIRE. Let me ask this: Why is this such an anemic performance? I think we can do better and there are all kinds of things to stimulate our economy in education and research. But actually 3.5 percent is substantial growth. We are by far the world's most developed nation. As you point out in your paper, you cannot compare us with Germany and Italy and France and it is ridiculous to do so.

They are going to grow faster in the next 10 years. They are bound to. They will also have worse inflation and so on.

But if you take the fact that we have grown at 3.5 percent and not try to compare it with this very high level, and then recognize that we are now moving into a very exciting period when we are emphasizing research so heavily—the amount of Government and private money going into research has been terrific, especially in the space effort—the consequences of this are likely to be a more dynamic economy than we have had in the past.

It seems to me the feeling of pessimism that persuades us in a time of relative prosperity that we need a substantial tax cut, varying from \$6 to \$18 billion, depending on the witness, it seems to me is committing our reserves when the situation does not justify it.

Mr. LIVINGSTON. I don't think our performance has been anemic. As a matter of fact, we have had an 8 percent increase in our total output of goods and services in the last year.

Our performance is only anemic in relation to what economists say we ought to do, in relation to the quantification of the full use of our resources.

I happen to believe, and I know this is hardhearted to say, that there are times when you have to have slack and when some people have to be unemployed. When you reduce carloadings on the railroads, the result is unemployment. When you use plastics instead of steel, it means that the steel companies do not sell as much steel.

This process is going on at a very rapid rate in this country. It may be this is the best possible performance we can get, except in my dealings and talking with business men I do know that the tax structure itself, because of the progressivity of the rates, and because of the gimmicks—gimmicks such as stock options for business executives