the congressional leaders and the public, there is no question but that they could get the funds, particularly as they had it pretty solid and they probably could vote on it. I suggest that the AFL-CIO is opposed to it for their own reasons. And this has had a compelling effect on the administration and the Congress.

Mr. SCHULTZE. This is your particular version of it. All I am saying is that we tried hard to get it at least twice.

Chairman PROXMIRE. Congressman Moorhead?

Representative MOORHEAD. Thank you, Mr. Chairman.

Mr. Schultze, in your testimony you point out that our gross national product is increasing at an annual rate of $30 billion to $35 billion and you express concern that there be enough demand to absorb this capacity. What I would like to ask you, sir, is not what would happen in the case of sudden deescalation, as the chairman asked, or in the case of escalation as Mr. Curtis asked, but suppose—and I hope I am wrong about this—suppose the war continues at roughly this present level, which is, what has been projected—what will be our economic situation concerning supply and demand?

Mr. SCHULTZE. Let me make a try at that at least.

Suppose for the moment, just as an assumption that will be responsive to your question that defense expenditures just leveled out at the 1968 level for another year or two. Just assume that a growing economy, to use the productivity and labor force increase, would need $30 to $35 billion worth of real growth. Also, if prices would rise, let's say, the one to one and a half percent a year that you had before Vietnam came along. Then the money value of GNP would have to rise about $40 to $45 billion a year. At the same time, with constant tax rates, that kind of economic growth will take in about $7 to $8 billion a year additional revenues each year. And it seems to me clearly that you would be faced under these circumstances with the question of what you do with that $7 to $8 billion of additional revenue, and whether, without additional increases in Federal expenditures or some tax changes, the economy will continue to move ahead, to eat up that $40 or $45 billion a year. What I am saying is that, by the very fact that our revenues are based on income, the fact that income must grow to keep the economy healthy, you cannot stand still, you have got to take action. You are automatically forced into making fiscal policy changes, tax reductions, or expenditure increases, under the kind of circumstances you postulate. And I would agree that you do not simply look at whether expenditures go up or down to find the solution to the problem.

Representative MOORHEAD. Do I understand you to say that with this steady continuation of the war we would have a very mild form of the same problem which would exist to a greater degree in the case of deescalation?

Mr. SCHULTZE. Barring a real upsurge in private demand which fortuitously would be able to take care of it—barring that—yes, sir.

Representative MOORHEAD. In your statement you talk about the 18 million children reaching maturity. And you report this as a good thing for home formation with all that this entails. It seems to me that not so long ago we used to read the same statistics and wring our hands and say, "How are we ever going to find jobs for