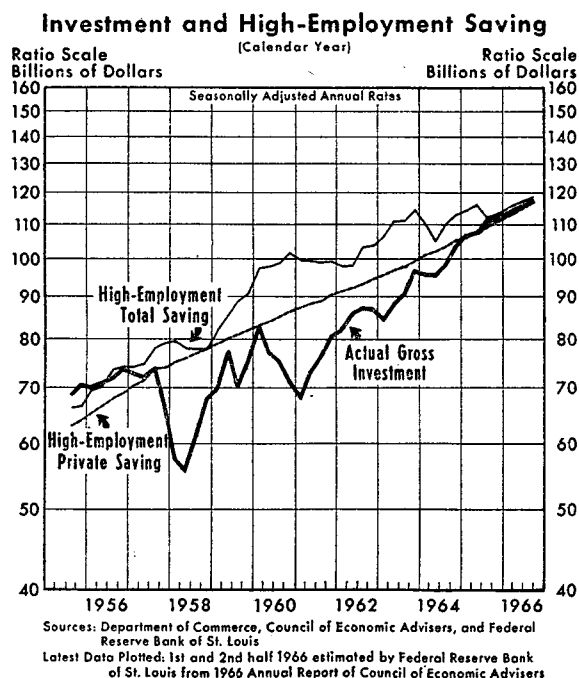




From calendar 1957 to mid-1965, high-employment saving exceeded actual investment. The source of discrepancy can be attributed to two primary factors—the amount of investment spending and the level of high-employment government (Federal, State, and local) savings.

The historical record indicates the importance of monetary and fiscal actions in influencing economic activity. Federal fiscal actions are reflected directly in high-employment saving and in investment. In addition, saving and investment, particularly the latter, are responsive to monetary actions via interest rates. The period since 1961 has been marked by very stimulative monetary actions, while fiscal actions have been stimulative at some intervals during the period.

Stimulative fiscal actions during the 1961–65 period included a rising trend of Federal expenditures during the period, revised depreciation guidelines and an investment tax credit in calendar 1962, reduced income tax rates for individuals and corporations in calendar 1964 and 1965, and reduced excise tax rates in mid-1965. These actions were offset in part by an increase in social security tax rates in calendar 1963 and the normal growth of revenues associated with the upward trend in income and employment.

*Prospects for economic activity in calendar 1966.* The Council of Economic Advisers (CEA) has forecast GNP and its components for calendar 1966 (without, however, providing a distribution between halves). This forecast takes into consideration fiscal plans and, supposedly, an implicit assumption about monetary policy. The forecast