

for GNP is \$722 billion for the calendar year 1966 as a whole.⁹ This suggests that GNP will be about \$711 billion in the first half and \$733 billion in the second.

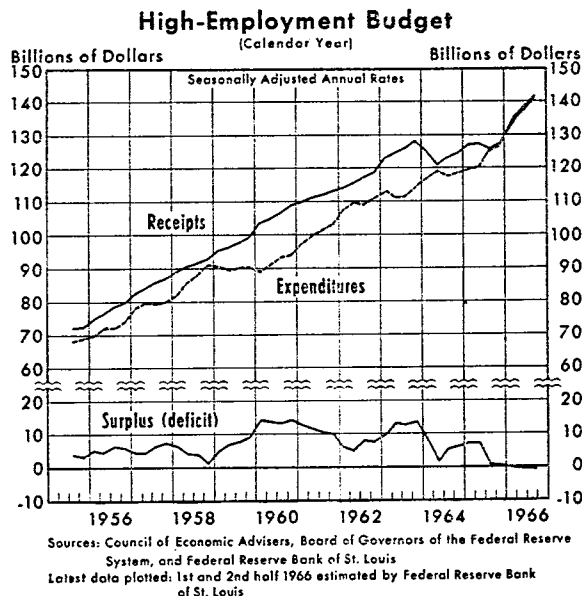
The composition of the forecast increase in GNP in calendar 1966 does not differ markedly from previous years. Federal purchases of goods and services are scheduled to rise more rapidly, while consumer spending, plant and equipment expenditures, and state and local government outlays are expected to continue their steady advance.

Actual gross investment and high-employment saving are expected to be in approximate balance. It is this relation that underlies the CEA's belief that high employment can be maintained without excessive price inflation. Any tendency for investment to outrun high-employment saving would indicate excessive total demand and be reflected in increased prices.

BUDGET POLICY IN ITS ECONOMIC SETTING

Budget policy is outlined in the budget document on a fiscal year basis; the annual report of the Council of Economic Advisers provides additional insight into the implications of the budget for calendar 1966. The last section of this article attempts to analyze planned budget policy for calendar 1966.

High-employment budget. The high-employment budget is expected to move from a small surplus (Federal Government saving in terms of our analytical framework) in the second half of calendar 1965 to a slight deficit in the first half of calendar 1966. This fiscal stimulus arises from an increase of expenditures in excess of the restrictive measures on the receipts side—viz, rescinding of excise tax



⁹ Since the publication of the CEA report the GNP estimate for the fourth quarter of 1965 has been revised upward by \$2.6 billion. This statistical revision implies an increase in the CEA forecast from \$722 billion to nearly \$725 billion. Furthermore, data for the first 3 months of 1966 indicate that economic activity may be advancing even more rapidly than the CEA expected.