just in effect gouging. But the social security administrators testified no, that really what was happening was that the doctors and hospitals had been in effect under charging by a recognizable percentage, and that now that Government was paying for it, they were picking it up.

I only mention this to illustrate, of course, some of the difficulties that exist in trying to figure out costs and know what we have been spending in these areas. I don't know how anybody ever could have figured out what the amount of undercharge might have been previous to medicare. Now it is coming out in the open to some degree as to how big an item it was, but it is in the billions.

Mr. GAINSBRUGH. One of the virtues of appearing before this committee is the witness gets educated as well as, I hope, the members of the committee, and I am learning a lot this morning again about the limitations surrounding some of the data that we think is fairly reliable.

Representative CURTIS. We don't know anything on it yet. We are in a speculative area over there right now. Well, I am sorry I interrupted you again, but this is very intriguing.

Mr. GAINSBRUGH. To complete the score before we look specifically at competition with the private sector, if the Government spends, unless it is going into debt, it has to collect the revenues for those expenditures. The figures for what is collected by Government are another indication of what has been happening within a generation.

The total of government revenues in 1966—Federal, State and local—was $212 billion. Putting that in meaningful form, that figure is equivalent to 28.7 percent of all the gross national product that is in a sense siphoned off for governmental purposes. Perhaps this is a way of indicating what has happened in a short period of time. The comparable maximum war effort in 1944 was 24 percent of the gross national product, and we are surpassing that.

A fact that I keep constantly before my students, and I think that should be recognized by the consumer, is that our accounts do reveal what has been happening to the Nation's output. As late as 1929, and this is typical of the 1920's and the earlier period, about three-fourths of everything we produce was taken off the marketplace by the consumer.

If you look at our figures today, but before Vietnam, consumers of today take less than two-thirds—around 63 percent—of the output. This is a significant secular change in the American economy.

What I have extracted from one of the official publications is very revealing as to how this is brought about. The consumer market throughout the postwar period, and here I quote from my statement, "absorbed two-thirds of the GNP. This was lower than the share that consumers used to get in prewar years when three-fourths of total output flowed through consumer channels. This fundamental change reflected the expansion in the role of Government resulting"—and I am quoting—"primarily from the heightened requirements of national defense, although an increase in civilian-type services rendered by Government was involved also."

Now the reason for this quote: "This shift to government in the use of current output was accomplished through a considerable step-up in the rates of taxation."

What we did was to lower the ratio of personal income after tax to GNP through taxation. It is no surprise if you lower the ratio of