what you have told us in these statements. I only emphasize this because both of you gentlemen appear before this committee fairly often and it would be very helpful in the future if you would supply to us your statement—amend it any way you want but just see that we have a basic outline—before you appear, so that we can work with the staff to prepare thoughtful questions.

Professor Samuelson, you may proceed.

STATEMENT OF PROF. PAUL A. SAMUELSON, DEPARTMENT OF ECONOMICS, MASSACHUSETTS INSTITUTE OF TECHNOLOGY

Mr. SAMUELSON. Mr. Chairman, it is a pleasure to appear at this seminar. I want to plead guilty to an unpardonable crime in a professor-absentmindedness in not getting my statement here in time. But let me proceed with it.

In my academic way I give grades at this time of the year and I have given a B-plus to Government administration economists.

President Johnson and his economic advisers have been generally correct in their forecast that the first half of 1967 would be weak—but not recessionary—and that the second half of the year threatens an economic advance that could be excessively inflationary.

Prudence also requires me to agree with their view that taxes may have to be raised late in this year, both to help restrain aggregate spending that threatens to become excessive and to permit the Federal Reserve to keep money and credit from becoming tight enough to abort the construction recovery and to cause liquidity problems for our savings and loan and other important institutions.

Why don't I give them an A?

Well, although *qualitatively* right, the administration was *quantitatively* overly optimistic in its January forecast of the strength of the private economy in 1967. Real GNP will not grow by 4 percent this year, as they have predicted; and, if Congress had enacted the 6-percent tax surcharge at the recommended July 1 date and had held Government spending to the budgeted levels that the administration gave in January, real output would grow considerably less than the estimated figure.

But if the facts make the administration economists look less than perfect, their critics—many of whom testified before you in February or had infiltrated the membership of this committee—make the Council of Economic Advisers look like well-informed, competent professionals.

Example: that inevitable recession which was supposedly deducible for 1967 from the contrived drop in the money supply during 1966, engineered by the cruel Federal Reserve, has not happened. The word "minirecession" has had to be invented to save face of those who made such confident predictions. Most of the "new economists" no longer in Government—I have in mind Heller and Tobin who testified before you in February and your humble servant who was on sabbatical—have so far proved right in modifying downward the CEA forecast but adhering to its qualitative outlines. I should add that expert "old" economists, like Arthur Burns in his February testimony before you, also can claim that events have materialized about in line with his enunciated expectations.