There may be other developments on interest rates and other things, but as far as prices are concerned, I wonder if we can isolate that factor.

Mr. SAMUELSON. Let me comment on the two different points that you have made. I thought, and a number of economic analysts thought, that the Council of Economic Advisers, in its annual report, was being optimistic that the consumer saving ratio would fall, and that consumption would be strong this year. On this point, I was an agnostic, and if the survey of consumer prices suggests that the savings ratio will be high, I have no reason to disagree with that.

I would like to say that I have scrutinized those surveys for many years very carefully and have not found them as helpful to me in forming my opinion as I had hoped they would be. The consumer is a little bit like Mr. Dooley's Supreme Court. He seems to *follow* the business returns; and belatedly we seem to learn from Ann Arbor that the consumer has done what we are seeing him do.

Secondly, there has been a lot of loose talk about the inventory overhang being behind us on the basis of favorable 1 month's statistics, February.

Chairman PROXMIRE. February or May?

Mr. SAMUELSON. No; as early as February those who grasp at the straws of optimism were saying that the worst is behind us. I thought that that was premature. I would suppose that Mr. Paradiso's estimates for the rest of the year, which are for very modest strength in inventory growth, have to be given very serious weight.

Still I would say they are a little on the low side compared to the modal estimate by experts; and Professor Weston has given some reasons why inventory might be different. But I wouldn't expect the strength in the economy to come there. On the other hand, when you look at all of the components of the GNP, which is what one has to do, the best guesses that I have seen suggest that in this current quarter that GNP will increase by $10 billion, although it increased by only $4½ billion in the first quarter. Final demand has been holding up well, that is GNP purged of inventory behavior. So if somebody tells me there is considerable likelihood for a $12 billion increase in the third quarter and at least $15 billion in the fourth quarter, I don't think one can lightly discount that.

You have derived some comfort from a three-tenths of a percent increase in the consumers price index, based upon the qualitative composition of that increase. Just looking at the figure itself, I do not derive comfort.

Chairman PROXMIRE. Could I interrupt to say that I am not sure that I indicated I derived comfort from that three-tenths of a percent increase in rate? What I did derive comfort from was the analysis that said that over the period of last year and this year, if you take the food component out, that there isn't much difference in the price performance, although this year we have had a relatively stagnant economy with obviously lesser demand pressures than last year and the performance didn't differ. And, as I say, the food component is not very sensitive to fiscal policy.

Mr. SAMUELSON. I am glad to have that clarified. I didn't mean to imply that you inferred anything from the total. I would like to register agreement that food prices is an erratic noise in the signal of the price index. Food follows its own drumbeat. It goes up and down.