Mr. SCHNEEBELI. I believe there is more of this fiscal income going into debt repayment and savings than there was earlier this year. So possibly the total difference may not be going into the economy.

Mr. ACKLEY. Certainly the rate of personal saving has been high, but it has also been declining.

Mr. SCHNEEBELI. I understand the rate of personal saving is higher than it was the first of the year, percentagewise.

Mr. ACKLEY. On the contrary it has declined from the first to the second quarter, appreciably.

The CHAIRMAN. Mrs. Griffiths.

Mrs. GRIFFITHS. I would like to ask you if the deficit is $29 billion this year, what percentage is that of the budget first, and secondly of the estimated gross national product.

Mr. SCHULTZE. If the deficit were $29 billion, you would have expenditures of $144.2 billion, which would make the deficit, I will guess, roughly 18 percent of the budget. I haven't done the arithmetic.

Mrs. GRIFFITHS. How much is that of the gross national product?

Mr. SCHULTZE. $29 billion on a round number of $800 billion of GNP. That is around 3½ percent.

Mrs. GRIFFITHS. What was the highest previous deficit in any one year?

Secretary FOWLER. Leaving out World War II?

Mrs. GRIFFITHS. Yes. In 1958.

Secretary FOWLER. In fiscal 1959. I think the ratio was about 2.4 percent as against what Mr. Schultze has computed here would be about 3½ percent.

Mrs. GRIFFITHS. What was that in gross national product?

Secretary FOWLER. 2.4 percent.

Mrs. GRIFFITHS. What do you say it would be now?

Mr. SCHULTZE. It would be, if you had the $29 billion deficit, approximately 3½ percent.

Mrs. GRIFFITHS. Approximately how much?

Mr. SCHULTZE. Approximately 3½ percent.

Mrs. GRIFFITHS. Why can't a wealthy nation bear that kind of debt? What are we really talking about?

Mr. SCHULTZE. May I start on that?

I think this question really involves two points. First, relatively moderate changes in the balance between income and expenditures either in the Federal Government or in the private sector, can affect the economy with a fairly heavy impact precisely because it is an imbalance between revenues and expenditures. In other words, its impact on the economy cannot just be measured in terms of its own size, because it, in turn, affects incomes in the private sector of the economy and thereby spending, which further affects income. And that does have a multiplier effect and drives the economy much harder than you would think by simply looking at the size of the deficit alone.

Secondly, if the economy were running in the neighborhood of full employment, relatively marginal gains above full employment can give you significant price pressure, just as an economy operating at 5½ to 6 percent unemployment is an economy with a good bit of stagnation, even though it is only 2 percentage points below the full employment rate.