

STATEMENT OF GARDNER ACKLEY, CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS; ACCOMPANIED BY ARTHUR M. OKUN AND JAMES S. DUESENBERY, MEMBERS OF THE COUNCIL OF ECONOMIC ADVISERS

Mr. ACKLEY. Mr. Chairman, it is always a pleasure for members of the Council of Economic Advisers to appear before this distinguished committee. As we have noted many times, we feel a family relationship since both your committee and our Council were created by the same act of Congress.

Therefore, I feel I can take the liberty of joining you in welcoming the new members of the committee. I am sure it will be a pleasure to participate with them in this hearing.

May I also say, Mr. Chairman, that we are greatly pleased to appear under your chairmanship here today.

As you have noted, Mr. Chairman, we have a rather brief statement this morning and the reasons for it are as you suggested; namely, that we do feel we have presented our views rather fully in our own Report which you have had for a week or 10 days. But, I will take just a few minutes to summarize the major threads of this year's Report of the President and of the Council. First, the economy, it seems to us, is in a basically sound and healthy condition and we expect it to stay that way throughout 1967. We see an advance of gross national product this year by about \$47 billion to the neighborhood of \$787 billion.

This would be a smaller gain than last year's, and appropriately so. The real growth would be about in line with the increase in the economy's potential. We expect the advance to be somewhat slower in the first part of the year, speeding up later on.

Second, it is clear that we face significant economic problems. The principal ones are clearly presented in the President's Report. Prices have risen more than we would like, and will rise again in 1967, although by less. Our balance of payments still shows a troublesome deficit at least on the liquidity basis. Our housing industry is depressed as the result of last year's tight money and high interest rates. And despite the general prosperity, too many of our citizens are left behind by economic progress. None of these problems will be easily resolved, but we expect to make progress on all of them in 1967.

Third, because we already enjoy a high rate of utilization of our productive resources, the economy cannot be expected to expand at as rapid a pace this year as it has expanded over the past 6 years. During that period we have been absorbing idle or underutilized resources into productive use. Last year, for example, an extra \$10 billion of output came from reducing unemployment, converting part-time into full-time jobs, and attracting previously discouraged workers into the labor force. We expect no such bonus this year. But this is not bad news; on the contrary, it is welcome evidence of how far we have come in recent years. Further reduction of unemployment is feasible in the longer run. But the rate of progress will depend on the success