The rate of increase in prices, though, is likely to be less in 1967 than it has been in 1966.

With consumer prices rising close to 4% at an annual rate, it would be surprising indeed if unions acceded graciously to a reduction in the real wages of their members—particularly when labor markets are tight. Under these circumstances, I would regard the recent pattern of about 5% for major wage settlements and the moderate rise in strike shutdowns as reassuring.

For 1967 as a whole, our expectation is 8½ million passenger car sales—which should be no occasion for tears.

I believe there is a good chance that housing starts will regain the million-and-a-half level by the end of 1967 and double to 1.7 million within the next two years.

Latest reports of plans for plant and equipment spending in 1967 indicate a rise of less than half of 16% increase occurring this year.

On the National Income basis, we expect profits after taxes to be about $48 billion in both 1966 and 1967.

The Wharton School, University of Pennsylvania: As Reported in December 3, 1966 Issue of Business Week

The Wharton School operates a computerized model of the U.S. economy constructed along so-called econometric lines to forecast general business conditions. The forecast reported in the December 3, 1966 issue of *Business Week* indicates that the model at that time pointed to contingent growth throughout '67 at roughly a 4% per year rate with an overall annual rate of increase in prices of about 2½% against 1966 experience of 3.7%. This would mean an average rise of about $12 billion per quarter in gross national product in 1967.

The model indicates that the size of 1967 wouldn't be changed much by shifting the mix of fiscal and monetary policy. Consumer spending is expected to rise about $6.6 billion per quarter, about $1 billion less than this year.

Non-residential construction, plus producers' durable equipment spending will rise only 5% from this year's anticipated fourth-quarter rate to the third quarter of 1967 with no increase in the fourth quarter.

Inventory accumulation will slow down to about $7.5 billion per year. Imports will rise faster than exports, which will impair the net foreign trade surplus.

The labor market will not ease. Unemployment will be down to 3.5%, compared with 3.9% at the time the projection was made.

Profits will continue moving up strongly, despite higher costs.

Gerhard Colm, Chief Economist, National Planning Association, December 1966

A summary of our estimates indicates a further rise in gross national product in current dollars, and likewise in constant dollars, though at a somewhat reduced rate as compared with the recent past. Taking into account the prospect for productivity advance and labor force growth, the projected 4 percent real growth rate implies an over-all unemployment rate rising, by the end of 1967, somewhat above the average recorded in recent months.

The high level of business spending, continued during the last months of 1966, will probably slacken through 1967.

Residential construction starts showed a steady downward trend, significantly decreasing in the third quarter of 1966. The outlook for this sector of the economy is made more dire by stringent credit conditions, saturation of the market, high rate of interest, scarcity of funds for both those building and those purchasing homes, and rising costs of construction. A conservative estimate of this sector is that the rate of decline will taper off as the floor is approached midway in 1967. Congressional action to aid this sector of the economy is quite likely to have some effect by that time, and a modest upturn may occur toward the end of next year (although it may not be of a magnitude sufficient to affect the annual rate of residential construction).

Inventory accumulation is expected to run lower in 1967 than in 1966, partly because of the rise in steel prices in August 1966, the continuing uncertainty of the the annual rate of automobile sales, the fact that some procurement programs will rise in the fourth quarter of 1966 but might taper off through the remainder of the year, and the general uncertainty prevading the economy.