Now, let's take a look, for example, at the $5 billion NIA deficit in the first half of calendar year 1967 and assume for the moment that this is a $5 billion NIA deficit at the full employment level. We than ask why can't we have zero at a full-employment level?

I indicated earlier the temporary problem, particularly with the inventory accumulation. But more importantly, what we are talking about in terms of a deficit on the one hand and saving on the other is something on the order of magnitude of a saving rate of about two-thirds of 1 percent of GNP.

Now, the extent to which that is related to a change in income distribution gets down to pretty fine judgments, and I am not sure I am prepared to make them. What I am saying is that we are not dealing with very large margins here. We are not dealing with income shares which have moved way off balance with historical levels. There may be a little bit of "out-of-balance" in them but not very seriously, I would say.

Representative REUSS. Were historical levels enough to give us full employment?

The answer is "No."

Mr. SCHULTZE. In some periods, yes; in some periods, no.

Representative REUSS. Therefore, we should not be complacent about the problem.

Mr. SCHULTZE. I agree.

Representative REUSS. And I know you are not complacent.

Mr. SCHULTZE. That is correct.

Representative REUSS. The only thing that worries me is that in the 313 pages of the Economic Report and in the five thousand or so pages of the budget, I do not find any analysis of what I regard as "essential problem" as to whether we can attain employment without inflation, which is what the Employment Act of 1946—which established this Joint Economic Committee—is all about.

Mr. SCHULTZE. I would not have read the Council's section in the whole wage-price area as being indifferent to the problem of full employment without inflation.

Representative REUSS. I did not suggest that. What I did suggest is that I do not find any attempt to grapple with the paradox of the deficit in this amount at this phase of our employment cycle, or with a real searching examination as to whether income shares are such as to put into the pockets of people who will either spend or consume or invest in factory and equipment enough money so that they can in a given period take off the market that which has been produced in the preceding period.

Mr. SCHULTZE. Conversely, Mr. Reuss, in the first half of calendar year 1966 we ran an NIA surplus at an annual rate of about $3 billion, and I do not think at that time you would have said, nor would I have said, that this implied an income redistribution the wrong way, the other way.

And I do not think—it turns out that over periods of time when you get into stable growth and you get this problem—that you can really point to it as an evidence of income distribution. The fact that this year there will be a NIA deficit of $5 billion in the first half, and last year it was a surplus of $3 billion in the first half, that either one of those periods can, per se, be taken to indicate that there is something wrong with the——