Chairman PROXMIRE. Thank you very much, Secretary Trowbridge, for a very comprehensive and encouraging statement.

You have referred, in your statement, to the Council's Report, and to their estimate of the overall growth rate of 4 percent in real gross national product.

It has seemed to me that this 4 percent is pessimistic, when you recognize that the Department of Labor "Projections 1970" suggested that a 4.2 or 4.3 percent growth rate would be necessary between 1965 and 1970 to sustain even the present level of employment, and that if we have only 4 percent growth rate that we might suffer increased unemployment.

Now this is particularly true not only of the employment situation but of the plant capacity ratio.

You say that we operated in December of last year at 89.5 percent, and we are now down to 88 percent.

In view of the immense increase in the productivity of our plant facilities, it seems here again we are underutilizing our resources by setting too low a mark. What is your comment?

Mr. TROWBRIDGE. Mr. Chairman, I think the 4 percent projection, which is the growth in real GNP, is a fair one for this coming year. It seems to me that last year, in looking at what was the growth of 5.5 percent, I believe, in real GNP—closer to 8.5 including price rises—we were really operating at a rate of growth which I would prefer not to see on a constant basis, because it was basically pretty overheated.

I think we had in 1966 a substantial increase in the total GNP growth up to a level of $740 billion which I believe was the final figure. Projections for this year, with some moderation in the economy makes sense to look at the 4-percent figure as a real one.

We, yesterday, came out with the unemployment figures for January. They remain at about the 3.7 level. This may continue; it may inch up. But the projections, as the Council looks at it, in an economy where the first half of the year probably will be one of a certainly lesser growth rate, perhaps being spurred on in the second half of the year by increased consumer demand. I think the projection is at this point a realistic one: that we can maintain 4 percnt real growth and keep unemployment in the 4 percent or below area.

Senator PROXMIRE. I realize that this is realistic in the sense that it is easier to achieve than a more rapid growth rate, but since the Labor Department's projections, which were widely hailed as being competent, and this is an expert Department of Government estimates we need a 4.2 or 4.3 percent or better, if we are going to maintain the present level of unemployment, and since we have had lower unemployment, in 1952–53 unemployment hovered between 3.1 and 2.9 percent, with much lesser increase in the price level, 2 percent in 1952 I guess, about 0.7 of 1 percent in 1953, and it actually went down the following year.

I just think that we are being too pessimistic about what our economy can do, in view of that record, and the fact that we have expanded so rapidly, and what should result as you imply in your statement as a greater productivity because of the additions of new plant and equipment.

So I would hope that we would reconsider this, particularly since business, which the Department of Commerce to some extent repre-