Mr. SHAW. Mr. Chairman, first let me say that I agree with Mr. Paradiso in his statement that the proposed benefits, if enacted, will be spent on a much broader spectrum of goods and services than just food alone and medical supplies alone. I think clothing and textile products will benefit. I think a whole host of consumer services will benefit.

On this second question, Mr. Chairman, which is a key question which you have raised several times this afternoon, this question of whether or not we are going to have capacity and resources to do much more than is apparently implied by the 4-percent rate of real growth, which the Council has set forth, I would only say that here again in my judgment we must avoid just looking at its overall totals. We have an economy today which is pretty close to full employment, perhaps not quite where some of us would like to see it, but nevertheless which also has a number of imbalances and distortions, and we have to consider those imbalances and distortions in determining where and how fast we can go during the next 12 months.

As I pointed out earlier, this 4 percent is a rate of growth which is proposed only for the next 4 months. I don't think the Council, I don't think any of the other agencies would in any sense argue with you that we should be aiming for a higher rate of growth than 4 percent over the longer run.

Chairman PROXMIRE. It is just not clear to me, it hasn't been made clear why 4 percent is all right now but it is not good for the long run and why 4.5 percent would be all right in 1968, 1969, and 1970, unless you are arguing that with the Vietnam situation which is unproductive, when we take people into the Armed Forces, while it is an essential and vital service they perform for national security, they don't produce anything for the economy. Is that the reason why 4 percent is——

Mr. SHAW. No, I think my argument would be based more on the hope and expectation that we have that some of the keen balances which are present in today's economy would not be present as we go out of 1967.

Chairman PROXMIRE. We always have to balance this, Mr. Shaw.

Mr. SHAW. Yes, but they usually are not quite as heavy or as distorted as they are at the present moment.

Chairman PROXMIRE. Let me just ask a couple of quick questitons.

Mr. TROWBRIDGE. Mr. Chairman, Mr. Paradiso had one comment.

Chairman PROXMIRE. Yes?

Mr. PARADISO. In arriving at a 4-percent rate of growth, basically you have to make some assumption with respect to what the productivity growth is going to be, what the increase in the labor force is likely to be, and on that basis, and of course, the rate of unemployment.

Now whether you get a 4-percent rate of growth or somewhat more for any year depends specifically on what you do with regard to your assumption about productivity. Therefore, if you assume that the productivity rate for 1967 is likely to be somewhat lower than 1966, and the number of entries into the labor force in 1967 is not likely to be as high as 1966, because the economy is not growing as fast as it did, you can derive a rate of growth which would be 4 percent and consistent with a 4-percent rate of unemployment.

Chairman PROXMIRE. Let me just interrupt Mr. Paradiso to say this is both circular and contradictory. It is contradictory because Mr.