Mr. BURNS. I should say merely that some increase in social security benefits under present circumstances, in view of the rise that we have had itn he cost of living, seems farily inevitable to me. I think it is a matter of equity that the Congress cannot entirely ignore.

Representative WIDNALL. But everything beyond 8 percent would involve additional taxation and an additional burden as far as the individual is concerned, and the employer is concerned.

Mr. BURNS. Yes, and beyond that, the psychological impact would be unfortunate. The psychological impact is bound to be inflationary, in my judgment.

Representative WIDNALL. Thank you. Now, is it true that the Government debt management operations were expansionary during 1966, because of the need to finance at relatively short term?

Mr. BURNS. The ceiling on interest rates on long-term governmental obligations made it necessary for the Government to borrow on short-term. That increased interest charges rates sharply at the short end, and also added for a time to the pressures of demand in the money and capital market. This was later responsible in a measure for the severe credit restriction that was imposed by our monetary authorities.

Representative WIDNALL. Would you recommend raising or removing the 4¼-percent ceiling on Treasury issues on maturities over 5 years?

Mr. BURNS. I would recommend removal of the ceiling, or in the absence of that, raising it. I think the Government would then be able to borrow at more advantageous terms.

Representative WIDNALL. If the economy grows by 4 percent next year, as the Council expects, do you believe that unemployment will increase somewhat by the year's end?

Mr. BURNS. If it grows by 4 percent in physical terms, I would not think so. But I am inclined to doubt if the economy will grow that much next year, and therefore, I would expect some increase in unemployment.

Representative WIDNALL. Have you made any projection yourself as to how much you think the economy might grow during the next year?

Mr. BURNS. I am unable to give you a quantitative estimate in which I myself would have any great confidence.

Representative WIDNALL. What effect does the thought that there will be inflation—I shouldn't say the thought, but the expectation of inflation—2 or 3 percent every year, which is now being recognized as something we should deal with, what effect does that have on the level of the long-term interest rate?

Mr. BURNS. I think it is bound to impart an upward tendency to long-term interest rates. You can't escape it.

Representative WIDNALL. The Federal budget in 1967 came under some very severe criticism, largely because of poor expenditure estimates, and this was particularly true with respect to Vietnam, as has been pointed out by our able chairman a number of times, and the use of a number of devices which tend to obscure the high level of Federal spending.

Do you feel that the Federal budget, as a tool of economic analysis was seriously compromised last year?

Mr. BURNS. I felt unhappy, as many of us did, on account of the poor estimating that was done by the Federal Government. I think