from table 2 that in 1968 this figure shows a very substantial increase, particularly in the field of housing and urban development.

If we disregard these figures, we just don't get the full picture of what the Government is doing in stimulating or dampening economic developments.

I reach the conclusion that the budget in the broader sense will contribute to expansion during the rest of the calendar year 1967 and into 1968 calendar year, and even with the enactment of the surtax, I would guess that there is still a moderate expansionary effect from the budget on the economy.

I say I guess. Unfortunately, we cannot in any manner add direct spending, loan transactions and guarantees into one figure and then give the computation of the total net effect on the economy. We have to make a separate computation for the effect of each, and the statement I have made is of the nature of a probability statement.

We have the fact that from the private sector, in contrast with the public sector, recessionary tendencies emanate. If you will look at table 3 (p. 894), you will see that for the whole period from 1960 to 1965—perhaps you might look at the lower part of the table which gives index figures—the private demand has increased in real terms, that means in constant dollars, by 27 percent from 1960 to 1965, and an increase of 20 percent in the public demand during the same time period. We had very active fiscal policy increases in expenditures and tax deduction in this period, but these measures have so stimulated the economy that the private sector has increased by more than the public sector.

If you will now look in table 3 where we are comparing the fourth quarter of 1966 with the third quarter, you see a reversal. Here the private demand is virtually stagnating. There is an increase of one-half of 1 percent, while the public sector in that quarter still increased by 3 percent.

I don't want to go into a discussion of the recessionary factors. They have been discussed at length during these hearings and I have nothing particularly to add. But I want to point to two different interpretations that are given to the recessionary factors which are now visible. The one is the interpretation to which Mr. Wallich referred, which is in a way the basis for making the recommendation of an increase in taxes in spite of recessionary tendencies; namely, that the recession is manly caused by the restrictive credit policy. Once these restrictive policies are relaxed and the budget effect, particularly of the increase in social security benefits, becomes effective there will be a turn-around in the economy by the middle of the year, so that possibly not only recovery but also inflationary pressures would be resumed.

There is, however, also a more pessimistic interpretation, which assumes that over the recovery period 1960–65 some imbalance developed in the economy. You will see, for instance, in table 3 that from 1960 to 1965 personal consumption increased by 25 percent; fixed investment excluding residential by 37 or 38 percent. That is interpreted as an imbalance which sooner or later had to be corrected by a decline in the increase of capital investment. This adjustment was aggravated by the effect of credit policy.