Index of gross national product

[Constant (1958) prices]

	1965 (1960 equals 100)	3d quarter 1966 (1965 equals 100)	4th quarter 1966 (3d quarter 1966 equals 100)
Personal consumption	125.3	105.6	100.0
Fixed investment—			
Excluding residential	137.8	112.5	101.1
Residential	110.0	85.0	87.3
Purchase of goods and services:			
Federal Government	112.4	113.3	104.1
State and local	129.4	105.5	102.0
Net exports	146.5	66.7	111.9
Domestic final demand:			
Private	127.1	105.5	100.5
Public	120.2	109.5	103.1
Gross National Product	126.0	106.8	101.1

NOTE.—Parts may not add up to total due to rounding.

Source: "Economic Report of the President," January 1967.

Chairman PROXMIRE. Thank you, Mr. Colm.

Mr. Lekachman, you have a statement that would probably exceed the speed limit, too. Let's see if you can do a little better. At this rate you will be 15 minutes over and we will have too little time for questions.

TESTIMONY OF ROBERT LEKACHMAN, PROFESSOR OF ECONOMICS, STATE UNIVERSITY OF NEW YORK AT STONY BROOK

Mr. LEKACHMAN. I will endeavor to follow a business cycle peak rather than to continue the ascent. I feel greatly privileged to appear before this committee whose work I have long respected. This morning I shall speak very briefly about the economic outlook and somewhat more extensively about desirable economic policy.

In general I concur with the Council's forecast, although I have a sense that it is shaded somewhat toward the optimistic side. I would prefer to concentrate on the employment situation and some of the policies which are capable of improving it.

I suppose that the optimism of the Economic Report was in many ways justified. The employment situation has in the last year improved significantly.

The economic situation as far as employment is concerned has certainly improved, not only in the aggregate, but for most subgroups, even for most nonwhite subgroups, and the Council almost inevitably draws an optimistic inference from this. However, it takes the dangerous position that a 4-percent rate of unemployment is in effect not only reasonably consistent with most definitions of full employment, but one which, if improved upon, will cause painful effects upon prices.

I would like in particular, on this point, to read one excerpt from the Economic Report which concedes, it appears to me, more than ought to be considered.

Low unemployment encourages entry into the labor force. Some people, especially women and teenagers, who would be interested in working if jobs were plentiful, do not actively search for jobs when they believe none are avail-