Mr. Zwick. Roughly half of that increase of $8 billion, a little more than half actually, is associated with the level adjustment that the Office of Business Economics made in July of this year. The other increase of roughly $4 billion reflects a higher estimate than we had in January. The first two quarters of this year have run at a rate higher than we anticipated. We had two $20 billion quarters. So, a little more than half of the increase is just an adjustment in level due to the technical adjustment by OBE The other half, around $4 billion, is associated with a little stronger first half than we anticipated.

Chairman Proxmire. Can you break that down at all in terms of how much of it is real growth and how much of it is inflation?

Mr. Zwick. It has been running about 50–50, so I presume you might take 50 percent of that. In other words, of the $4 billion growth, apart from the OBE adjustment, we probably have a little more real growth than we anticipated in January—let us say, $2 to $2½ billion real growth.

Chairman Proxmire. You have got a little more inflation, too.

Mr. Zwick. Yes, sir; a little more inflation and a little more real growth. As you know, we anticipated the tax increase earlier than we got it, and we think part of this extra GNP and extra inflation is associated with the delay in the tax increase.

Chairman Proxmire. What is the anticipated price performance that you expect?

Mr. Zwick. We expect and hope that the tax increase and expenditure reductions will "turn the corner" on the price increases—the rate at which they are accelerating—sometime this fall. As we go into calendar 1969, we still have price inflation, no doubt about it, but we don't expect to——

Chairman Proxmire. Yes; but in arriving at this $854 billion GNP. You had to make certain assumptions on what happens to the price level in the remainder of the fiscal year.

Mr. Zwick. Yes.

Chairman Proxmire. Between now and next July 1.

Mr. Zwick. Yes. I think we held the deflator pretty close to what we had during the first half of the year, when I think the implicit GNP deflator was running around three and a half percent.

Chairman Proxmire. Three and a half percent.

Mr. Zwick. A little more than that.

Chairman Proxmire. That is a slowdown, then, in inflation that you anticipate in the closing 9 months or so?

Mr. Zwick. We would expect, we would hope, that we have hit the peak in this acceleration process that has been taking place since last August. And we would hope that starting sometime this fall we would see the first hopeful signs of a slowing down in the rate of price increases. It is too early to tell, and always dangerous to latch on to one statistic. However, the first hopeful sign is that the Wholesale Price Index for industrial commodities remained level in August. But it is just one statistic out of a whole range of statistics, and I don't want to place that much weight on it.

Chairman Proxmire. You expect a real growth rate of about three and a half percent?

Mr. Zwick. For the year as a whole?

Chairman Proxmire. Fiscal year as a whole?