strong financial position in terms of his liquidity buildup, in terms of his slow accumulation of debt and rapidly rising income. We do not allow for a higher level of consumption than could actually occur. We could also have a breakout on the high side in terms of defense spending. The assumption made on defense spending has proved erroneous before. We could have a higher level of plant and equipment expenditure.

Chairman PROXMIRE. All these could be higher, too.

Mr. OLSEN. They could be. But the chances of them being lower are much less than higher—just because the character of these areas as they now stand, and based on past precedent, as well as theoretical application.

The other is that I feel that this time is not the time to err on the side of inflation. It is not a time to seek fine tuning of the economy at the present time. If we err, then the risk should be probably in over-restraint.

Chairman PROXMIRE. Rather have us err on the side of increasing unemployment?

Mr. OLSEN. I would even say that, if that is the risk. The assumption, for example, that overemployment, and that high rates of inflation somehow are less painful than unemployment, and a stable price structure, I find to be somewhat lacking in logic.

Chairman PROXMIRE. You see, you gentlemen and the administration are so concerned about an overheated, overexpanded economy at a time when we have grown so little, and at a time when the January figures are so mixed—and, if anything, discouraging. Now, the one figure that I hear those advocates of restraint latch onto is the unemployment figures. What does that figure consist of? Three and a half percent unemployment is low, it is true. However, this is accountable because 500,000 women left the work force, in some cases they figured they could not get a job, and, secondly, a much more significant figure, buried in the mass of unemployment data, is that hours of work per week dropped from 40.8 to 40.5, and that is as low as they have been in any year since 1962.

I submit this is a much more sensitive indication of the demand on manpower than you get from the gross overall unemployment figure.

Now, if this is the best we can do at the peak of 1968 fiscal boom, it seems to me that we really are not in the kind of stretched out, strained, overheated economy situation that so many establishment and administration economists are arguing.

Mr. OLSEN. I do not think we are yet at the peak of the boom. And you cannot take one month's figure and draw a conclusion for the whole year.

Chairman PROXMIRE. You say it is going to slow down from now on—at least, beginning in July or in August. You say your figures show that, and Mr. O'Leary's figures show it. Most everybody who has appeared, including the Council of Economic Advisers, agree the economy is going to slow down.

Mr. OLSEN. Our figures are dependent on the mechanical approach. It reflects the cessation of steel inventory accumulation, and the end of the automobile catchup phase. This is largely the effects we see in the second half. The second is—which I said earlier—if it is necessary