the forecast was between 32.2 and 48.8 percent. Housing expenditures were forecast as increasing by $3.5 billion; the actual increase was $4.5 billion, an error of 22.2 percent. Incidentally, in commenting on this estimate, I suggested it was substantially on the high side, which shows you how meager are my qualifications as a forecaster. For plant and equipment expenditures, Dr. Ackley forecast an increase of $1 billion. The actual change was $2.5 billion; the error was 60 percent. Inventories increased $8.7 billion compared with Dr. Ackley's estimate of $1 billion to $2 billion; he missed by 77 to 88.5 percent. For State and local governments, Dr. Ackley forecast an increase of $4.5 billion; the actual increase was 9.8 percent less, $4.1 billion. And for Federal purchases, the CEA estimated a second-half increase of $0.3 billion to $3.5 billion, or 11.1 percent to 122.2 percent above the actual (see table 3).

TABLE 3.—INCREASE IN GROSS NATIONAL PRODUCT COMPONENTS, 2D HALF 1967 COUNCIL OF ECONOMIC ADVISERS' ESTIMATE COMPARED WITH ACTUAL

[Dollar amounts in billions]

GNP component	Increase, 1967 2d quarter, to 1967 4th quarter		Percent difference between CEA estimate and actual [3]
	CEA [1]	Actual [2]	
Personal consumption	$16–$18	$12.1	32.2–48.8
Gross private domestic investment:			
Fixed nonresidential investment	1.0	2.5	60.0
Residential investment	3.5	4.5	22.2
Change in inventories	1.0–2.0	8.7	77.0–88.5
Government purchases:			
Federal	3.0–6.0	2.7	11.1–122.2
State and local	4.5	4.1	9.8

[1] Hearings on President's 1967 Tax Proposals, Committee on Ways and Means, House of Representatives, 90th Cong. 1st sess., pt. I, p. 88.
[2] Preliminary estimates by Office of Business Economics, Department of Commerce, Feb. 14, 1968.
[3] Difference between Council of Economic Advisers' estimate and actual, divided by actual.

I think the Council deserves our heartfelt sympathy in this regard. Theirs is a thankless task. More's the pity, it's also a useless one. For even if the forecasts were vastly better than they are in fact, they would have little if any operational significance. To take the present case in point, even if the Council's current forecast of an excessive increase in aggregate demand without a tax increase were accepted as correct, there is little if any basis for confidence that the proposed tax increase would significantly affect the outcome.

The assertion that they would be effective is based on the assumption that private spending, by households and businesses, responds quickly to changes in the rate of expansion of private disposable income. Few economists, if any, would represent corporate spending decisions as affected at all by temporary changes in corporate profits after taxes, let alone quickly affected. Even fewer corporate decisionmakers would attempt to alter spending plans on the basis of changes in effective tax rates when these changes are designated as, and deemed to be, temporary. Even more implausible is the notion that the small changes in the timing of tax payments, involving no change in tax liabilities, have any noticeable effect on business spending.

In the case of households, there is a widespread consensus among