estimate than mine, although a very significant one at that. But as I have shown previously, and will show subsequently in this statement, the Council has grossly and persistently underestimated the true growth potentials of the U.S. economy, especially in its interpretation of productivity trends. Additional perspective is shed upon the seriousness of the gap in 1967 alone by my estimate that, during 1953–67 as a whole, the production gap measured in 1965 dollars aggregated $781 billion, and was accompanied by 36.3 million man-years of lost employment opportunity (see my charts 1 and 2).

Even more serious is the apparent satisfaction which the Council takes in its forecast of a real economic growth rate of somewhat more than 4 percent during 1968, assuming enactment of the President's fiscal program. Even if we were now enjoying reasonably full resource use, an average annual economic growth rate in real terms of at least 5 percent would be the optimum or maximum in view of current capabilities and needs, and in view of the growth rate registered during much earlier periods of reasonably full resource use (when the growth rate was not artificially accelerated by starting from a base of very low resource use).

Moreover, assuming current and proposed policies, including the tax surcharge, I find the Council's forecast (p. 55) of a somewhat better than 4 percent real rate of economic growth during 1968 excessively optimistic. The Council itself estimates that Federal expenditures will rise about $15 billion in 1968, compared with $21 billion in 1967, and the estimated $6 billion slackening in this phase of expansion would not be counteracted fully by an estimated rise of $5 billion in transfer payments to persons. Thus, I cannot fully understand the Council's statement (p. 39) that "as 1968 opens, fiscal policy * * * is now overly expansionary, in an economy now growing at a rapid pace." Further, the proposed tax surcharge if enacted (which the Council incorporates in its forecast) would as estimated by the Council add $8 billion to the Federal revenue take in 1968. Coupling these factors with the Council's estimate that the recovery of business investment which commenced in the middle of 1967 will proceed in 1968 at only a moderate rate, and with the extraordinarily high rate of about 7 percent in personal saving, I cannot find justification for the Council's view that a 2½-percent rate of real economic growth during 1967 will be converted into a better than 4 percent rate of real economic growth in 1968 (see pp. 54–57). This seems especially the case, in that the Council (p. 43) says that "the strongly expansionary fiscal policy [during the first half of 1967, to be contrasted with a less expansionary fiscal policy in 1968] supported the growth of personal income and hence of consumption." I think that most other competent forecasters share my concern.

CEA's inadequate awareness of excessive unemployment

I am equally concerned about the Council's obvious equanimity in the face of a full-time unemployment rate of 3.8 percent during both 1966 and 1967, its expectancy of nothing better in 1968, and its apparent willingness, in the name of fighting inflation (subsequently to be discussed) to urge policies which might cause unemployment to rise appreciably or seriously above recent and current levels.