

ahead is not less than we should aim for and adopt policies accordingly. A 3.5-percent-average-annual rate is conservative indeed, and it is about this rate which I utilize for establishing economic growth goals of 5 percent annually after restoration of reasonably full resource use, and a somewhat higher rate until that restoration is accomplished through the taking up of slack resources (see my charts 10 and 11).

Accordingly, I estimate that, measured in fiscal year 1959 dollars (which appear to be utilized in the President's January 1968 budget message, and which roughly indicate current price levels), our total national production should rise from \$820 billion in 1967 to \$1,222 to \$1,227 billion in 1975, a gain of \$402 to \$442 billion. This would mean, during the 8 years, 1968 to 1975 inclusive, a GNP averaging annually \$227 to \$246 billion higher than in 1967, and aggregating during the 8-year period \$1,817 to \$1,968 billion more than if GNP remained at the 1967 level during these 8 years. This should be the true measurement of what we can afford to do, internationally and domestically, and programs adjusted from year to year in terms of these potentials are indeed the steps by which we can achieve them (see my chart 12).

To illustrate the importance of an optimum growth rate, over approximately a 10-year period, each 1-percent difference in the economic growth rate means an average annual difference of about \$50 billion in total output during the 10-year period. Thus, over a 10-year period, an average annual growth rate of $2\frac{1}{2}$ percent as against 5 percent would cost us on the average about \$125 billion of GNP a year, or about \$1¼ trillion in the aggregate. The difference between the 4-percent-growth rate which the Council hopefully projects for 1968 and a 5-percent-growth rate would cost us about a half trillion dollars of GNP in the aggregate over a decade. The difference between a 3-percent-growth rate, which now seems to represent the dominant 1968 forecast, and a 5-percent-growth rate, would come to about a trillion dollars in the aggregate over a 10-year period.

The foregoing GNP goal for 1975 is consistent with the goal set forth in "A Freedom Budget for All Americans," a 1966 publication which I had a major role in preparing. But as indicated above, I have now converted the exercise from calendar 1965 dollars to fiscal 1969 dollars, and substituted as the base year calendar year 1967, instead of calendar 1965. To make a GNP goal meaningful in terms of analysis, and in terms of the policies needed to achieve it, the GNP goal must be broken down into major components representing an equilibrium model. My chart 13 depicts such a model, which I have developed, refined, and adjusted over the years in the light of evolving economic developments and pertinent considerations as to priority needs.

This equilibrium model does not contemplate drastic changes in the ratios of the main components of GNP to the total, and thus does not contemplate changes in our institutional attitudes, nor in relative reliance upon public and private sectors. To illustrate, in 1967 public outlays at all levels for goods and services came to 22.5 percent of GNP, and would be somewhere between 20 and 21 percent in 1975. Gross private investment (including net foreign) came to 16.6 percent of GNP in 1967, and would be about 17 percent in 1975. Private consumer outlays came to 62.6 percent in 1967, and would be about 63 percent in 1975 (see my chart 14).