

And I want to emphasize that this isn't just a dollar prosperity. The purchasing power of the average American—the real goods he can buy with his dollar income after taxes—has actually increased by 31 percent between 1960 and 1968. This, gentlemen, is the basic definition of economic progress.

Perhaps an even more significant aspect of our economic well-being is that it is probably being shared by a broader segment of our population than during any previous time of great prosperity. Not only have business profits soared to record highs but the unemployment rate has been sharply reduced—particularly among minority groups who have not adequately shared in economic gains of the past. Much remains to be done in this key area of national policy, but it is clear that significant progress has been made in removing barriers and expanding job opportunities for our under-privileged citizens.

However, we must recognize that serious economic problems must still be overcome. The increase in consumer prices in the past year of nearly 4 percent is certainly larger than we can tolerate for very long. Although a small balance of payments surplus was achieved in 1968, vigorous efforts must continue to maintain this record in the current year.

Today I want to go beyond the over-all indicators of a prosperous economy and in a sense see whether the financial underpinning of our economy will support continued sound expansion in the years to come. I also want to review briefly a few items of major, unfinished business that will bear heavily on our future economic growth and, in some instances, that of the entire Free World.

Probably the most important single component of this financial underpinning of our economy is the Federal budget. A properly designed budget should reflect what the country needs, what it can afford and what the Congress can be expected to do. In my judgment President Johnson has presented to the Congress a budget that fully meets this standard. In fiscal 1969 the budget is expected to be strongly in the black, with outlays of \$183.7 billion, revenues of \$186.1 billion and a surplus of \$2.4 billion. For fiscal 1970 we have projected an even larger surplus of \$3.4 billion.

In fiscal 1970 budget receipts are estimated at \$198.7 billion, an increase of \$12.6 billion over the estimate for fiscal 1969. Outlays in fiscal 1970 are projected at \$195.3 billion. The estimated increase in fiscal 1970 Federal revenue is due almost entirely to anticipated economic growth. For calendar 1969 we have projected a gross national product of \$921 billion, personal income of \$736 billion and corporate profits of \$96 billion.

Now there is nothing inherently good or bad in itself about a budget surplus or deficit. The test is whether it contributes to the economic strength of our country. And a budget does this only when it is consistent with current and prospective economic realities.

In the context of the economy as we see it, a Federal budget surplus for fiscal years 1969 and 1970 is necessary for several important reasons.

First, a budget surplus will tend to restrain over-all demand during a time when our productive capacity is straining hard to meet the demands thrust upon it. Second, a budget surplus means that during this period the Treasury will not on balance be competing for funds in our already hard-pressed credit markets. In fact, in fiscal 1969 and 1970 taken as a whole, the Treasury will actually be adding funds to the private credit markets in contrast to the situation in 1969 when \$23.1 billion had to be drawn from private investors. This healthy situation means greater freedom for the Federal Reserve to establish effective monetary policies, and more ready access to private savings by private users of credit and state and local governments—borrowers who have had a rough time in past tight money periods. In this context the home-building industry in particular should greatly benefit.

A third important reason for maintaining a Federal budget surplus at this time is that it will strengthen the hand of our negotiators during the critical period in which we will be working to improve and modernize the international monetary structure.

The Federal Government influences economic activity and the distribution of income not only through direct expenditures and loan programs but also through special tax provisions. A dollar foregone through a special tax provision is no different than a dollar spent through a budget outlay. In other words, these