

Mr. McCracken. A 7-percent increase in gross national product with, we will say, a 4-percent increase in prices, does leave about a 3-percent growth in total real output.

Senator JORDAN. Yes.

Mr. McCracken. Then with a $1\frac{1}{2}$ -percent to a $1\frac{1}{4}$ -percent rise in population we get $2\frac{3}{4}$ -percent rise in output per capita.

Senator JORDAN. Yes.

Mr. McCracken. Now we could if productivity is rising at about that amount, we could achieve that with roughly a constant labor force which is why, looking ahead, the ongoing longrun growth path that the economy should be on ought to be moving along something like about a 4-percent-per-year rate of growth in real terms.

Senator JORDAN. In real terms.

Mr. McCracken. In real terms.

Senator JORDAN. Yes.

Thank you. My time is up.

Chairman PATMAN. May I ask you a question, sir. If we were to decide to not ask for a session this afternoon after we have two more members who would like to ask you questions, would it be all right for you to answer questions that any member of the committee submitted to you before you looked over your transcript, if you would answer the questions when you examine your transcript, would that be satisfactory?

Mr. McCracken. We would try to be responsive.

Chairman PATMAN. Thank you, sir.

Senator Percy?

Senator PERCY. Thank you, Mr. Chairman.

Dr. McCracken, I would like to ask one or two questions of you and then see if we can't put your associates to work also this morning. I have a couple of questions in their area of interest.

Mr. McCracken. Good.

Senator PERCY. I would like to first ask you about the budget. We will have, of course, a chance to go over that in detail tomorrow but I sense from the tone of your comments today that you would like to see us cut back the last Johnson administration budget even more.

How important would it be that we really put major emphasis on this as we did in the Congress last year to see if we can't really push the rate of Federal expenditures back significantly, not just in very minor shaded areas but in significant cutbacks? How important is it to the economy of the country that we try to undertake this jointly, the administration, Budget Bureau, the agencies and the Congress.

Mr. McCracken. It is important that we start to make progress. The question is, of course, how do we make progress? The first requirement is that we get clear in our minds what the low priority items are that can give us the elbow room either to lower levels of total spending or for new programs which we consider high priority. This operation takes time and it can't be done instantly. But we do have to recognize that levels of expenditure at present are beyond the revenue producing capacity of our tax system unless we retain the surcharge.

So there is our overall problem unless we continue the surcharge in order to balance out the budget.