at least 5 percent annually from 1970 to 1977, and averaging about 6 percent during 1968–70, toward restoration of optimum resource use.

The "longest upward movement on record," and the economic outlook

More important still, the 4.8 percent average annual rate of real economic growth during 1960–68 is not indicative of the most recent trends, nor of the economic outlook. From 1966 to 1967, the real rate of economic growth fell to only 2.5 percent, and the average for the 2 years 1966–68 was only 3.7 percent. Taking into account current informed forecasts, and the purpose of recent and current economic policies to "slow down" the economy further, there is strong evidence that we may be reverting to the recurrent periods of economic stagnation, if not absolute recession, to which I commenced to call attention so insistently from 1953 forward. It is remarkable and indicative that this possibility has thus far received so little attention.[1]

Actually, the insistent chorus about "the longest upward movement on record," from early 1961 to date, has been both misleading and overly prideful. The recovery movement from early 1961 until circa the massive tax reductions of 1964 was not the result of important positive changes in national economic policies. It was more or less a normal or autonomous recovery after the mini-recession of late 1960, early 1961, and continuation of the recovery from the substantial recession of 1957–58. This movement from 1961 forward was hardly more impressive than the upward movements which had followed the periods of stagnation and then recession during the years 1953–60, and it was recognition of this lack of impressiveness that finally prompted the massive tax reduction in 1964.

These massive tax reductions provided a very strong stimulus to the economy for less than 2 years, but even that amount of money thrown into the streets and scrambled for would have done that. Because these tax actions represented a basically erroneous analysis of the entire problem of economic equilibrium or balance (as I insisted at the time of their enactment, and as I shall discuss further when I come to the matter of fiscal policy), the real rate of economic growth turned very sharply downward early in 1966 and has averaged far too low during 1966–68. Moreover, I believe the developments during 1966–68 would have been far more unfavorable, and might well have carried us into an absolute recession, but for the unexpected acceleration of defense spending due to the Vietnam war and some other factors. After all, measured in current dollars, national defense spending rose from $50.0 billion in 1964 and $50.1 billion in 1965 to $60.6 billion in 1966, $72.4 billion in 1967, and $78.9 billion in 1968 (calendar years). There is no particular trick in maintaining an upward movement, albeit at a declining real rate of growth, in the presence of these kinds of jumps in defense spending. Those who are still chuckling about their role in promoting "the longest upward movement on record" should have it recalled to their attention that we have also had "the longest war on record."

Regardless of the merits or demerits of that war, these most recent developments appear to have justified my earlier findings that a more rapid expansion of Federal spending than earlier had been projected

[1] See chart 1, following text.