from optimum growth reduces the productivity performance to levels consistent with the 3-percent average in the long run. Thus, the Council finds: "In early 1967 the diminishing pace of the expansion was reflected in a slowing of productivity growth rather than a sharp rise in unemployment" (p. 34).

The CEA does even worse than this. It does not set a target for real economic growth during 1969 even at this improperly low 4-percent figure. Whether interpreted as a goal or as a *welcome* forecast, the CEA says: "The rise in real output during the four quarters of 1969 should be less than 3 percent," consistent with a 6-percent rise in price terms (p. 56).

Why does the CEA want us to move in this direction? Its answer is made clear: "Although economic expansion is expected to moderate during the first half of 1969, a continuing policy of restraints is essential to curb inflationary pressures and to strengthen our international trade performance" (p. 53). My comments as to the quality of the finding that we should further reduce the rate of economic growth as a "promising" way of containing inflation will come later. My other comment comes now: It is, in my view, frightening that we should be willing to forfeit what will be forfeited by bringing the real rate of economic growth so low, risk the unemployment which will result, risk the recession which may result, and starve our domestic priorities to the extent built into the achievement of this objective, meanwhile regarding the problematical strengthening of our international trade performance as a gain comparable to this forfeiture.

II. The Problem of Economic Equilibrium or Balance

Essentials of economic equilibrium or balance

No economist of substance would deny that maintaining an optimum rate of economic growth, and maintaining optimum employment consistent with minimal or frictional unemplyoment, depend essentially upon an economic equilibrium or balance in the allocation of the current or functioning GNP between (a) the investment which adds to our capabilities to produce and (b) ultimate consumption in the form of private consumer spending and public outlays combined. Yet there has never been a time when the "New Economists" or the CEA reports have offered tangible and substantial quantitative evidence of coming to grips with this analytical problem, or of adjusting policies and programs accordingly. This has been an oversight so glaring that I have been unable to offer a rational explanation for it.

The closest that the CEA has come to any such attempt was when it suggested, some years back, that optimum economic growth depended upon a much higher permanent ratio of investment in plant and equipment to GNP. However, as I have frequently pointed out, (a) a *sustainable* ratio of such investment to GNP depends upon the productivity of capital (which is advancing), not upon the overall growth rate targeted, and (b) the record since 1952 has uniformly shown a strong tendency toward relative overinvestment of this type, corrected only when "overcapacity" leads to sharp cutbacks in such investment, with unfavorable consequences throughout the economy.

The empirical evidence, detailed in my repeated public studies from 1953 forward, has made it very clear that the transition from moder-