

just over \$500 billion; a level for 1961 as a whole of \$518 billion, as compared to third quarter 1964 annual rate of \$627 billion, an increase of well over \$100 billion in less than 4 years. And the likelihood is that the figure for 1964 as a whole will approximate \$625 billion. If I were to offer a guess as to the level for 1965 it would be in the \$650 to \$670 billion range.

Finally, we are also concerned, for purposes of economic policy, with the maintenance of price stability. Here we find that almost all our gains in dollar value of output have been real gains, not merely illusory gains that are represented in dollar terms which do not mean very much because of inflation. Rather, we find that, for example, the Consumer Price Index, at just over 104 on the 1957-1959 base in 1961, is now at about 108.5. This is a very remarkable record of price stability. I would say that the increase in the Consumer Price Index of about four points in 4 years represents essentially no price increase at all. The reason I say this is because the Consumer Price Index does not adequately reflect over a period such as this improvements in the quality of things we buy.

There is some presumption, for example, that the \$3,000 automobile purchased in 1964 is a somewhat better product than the \$3,000 automobile purchased in 1961. You may dispute this, but I am saying there is some presumption that this is the case. The same would be true for television sets and a variety of other things.

If you look at a more basic index, the Wholesale Price Index, which does not reflect, of course, the influence of the price of various services, you find that this has not moved at all. It was 100.3 as an average for 1961, and in October 1964 it is still 100.3. So that the record certainly, over the last 4 years, looks good. Gross national product has been growing at a rate of about 4.5 percent a year. Industrial production has been growing at a rate of about 5 percent a year. We have been adding a million jobs a year. Unemployment is down substantially from levels of 1961. Prices have been highly stable.

One might then conclude that all is for the best in the best of all possible worlds. But I can hardly do that and fulfill my function here this morning, nor can I do that and present to you honestly my views as to the nature of the need for rational tax policy in the period immediately before us. First of all, we need to recognize that while a growth rate of 4.5 percent is very impressive we are