

centrated in research and development the byproducts of possible industrial expansion could be perfectly enormous for our society.

Mr. KATONA. No doubt that is a necessary observation.

Senator PROXMIRE. Thank you very much, Mr. Chairman.

Senator DOUGLAS. We will meet at 2 o'clock.

(Whereupon, at 12:30 p.m. the committee was recessed, to be reconvened at 2 p.m. the same day.)

AFTER RECESS

(The committee reconvened at 2 p.m., Hon. Wright Patman, chairman of the committee, presiding.)

Chairman PATMAN. The committee will be in order, please.

This afternoon the committee continues hearings on the state of the economy and the question of what changes might be made in Federal policies to achieve maximum employment, production, and purchasing power. We are privileged this afternoon to have the Council of Economic Advisers. The program of the President is, of course, the outcome of a decision process in which advice, recommendations, and considerations of many kinds from many sources, inside and outside the economy, play a part. The professional economic advice of the Council is one element. It is not and should not be the sole consideration in the formulation of Presidential economic policy or of congressional policy. In congressional testimony and in other public statements the Council must protect its advisory relationship to the President. We assume that the committee does not expect the Council to indicate in what respect its advice has or has not been taken by the President nor to what extent particular proposals or omissions of proposals reflect the advice of the Council.

Dr. Heller, this morning we had a witness from McGraw-Hill Publishing Co., Dr. Greenwald, and he testified on one point that would interest you. He said that the survey that McGraw-Hill made in late June indicated that business planned to spend \$37.9 million on new plant equipment this year, more than 10 percent over 1961. He also said that McGraw-Hill's checkup survey made in late June indicated, and I quote:

Our checkup pointed up the fact that business in general had not cut back or canceled plans for investment in new facilities in 1962 as a result of the sharp drop in stock prices in May and June, or the so-called loss of business confidence.

Among the companies indicating investment cutbacks only a few cited economic conditions as the reason. In most cases where investment plans were lower than they were earlier, the reasons given had absolutely nothing to do with a lack of business confidence or the drop in the stock market. Instead technological delays and construction delays were the reasons given.

Dr. Ackley, we want particularly to welcome you back to Washington and to congratulate you and the Council on your membership. We regret Dr. Tobin's leaving, but we are delighted to have you and are looking forward to a long and fruitful association. After hearing from Dr. Heller and other members of the Council, if they have statements, members of the committee will ask questions under the 10-minute rule.

Dr. Heller, I understand that you have a prepared statement, and I understand that you would like to proceed with your prepared statement. That will certainly be all right. You may proceed as you desire.