

Representative CURTIS. Do not you feel that Government policy is a very important factor in business confidence?

Dr. HELLER. Indeed it is.

Representative CURTIS. And that is what we are talking about here, Government policy. These are your policy recommendations. In fact, you worded them as such in your prepared statement.

Dr. HELLER. The policies for increasing markets, for stimulating investment through depreciation guideline revision and investment credits.

Representative CURTIS. Those are the collaterals. But you advanced three basic recommendations, two of which are the ones I have mentioned. One was tax cutting, the second was increased public works, and the third was what?

Dr. HELLER. The unemployment compensation provisions.

Representative CURTIS. Yes.

Incidentally, all three of those, or at least two of the three, are almost academic in August of 1962 in the tail end of this session of this Congress.

Dr. HELLER. I think we should distinguish between the short-run stimulants for inadequate cyclical recovery, on the one hand, and the longer run bolstering of markets, and profits, and investment incentives, on the other. Perhaps in our testimony we did not make clear enough the distinction between these two in our thinking. The President's three-ply program for sustained prosperity was designed to meet the problem of dips in economic activity, temporary inadequacies in the level of economic activity. But coupled with that there has to be a longer term program for removing the tax overburden, for stimulating consumer spending, and for stimulating business incentives.

Representative CURTIS. Under this when would you ever balance the budget, or better still, when, looking backward in our history, would you have ever balanced the budget since World War II? Following your gap theory?

Dr. HELLER. The budget has been balanced. There was essentially no gap except in very short periods from 1946 to about 1955.

Representative CURTIS. We had the Korean war in there.

Dr. HELLER. During that period we had a substantial number of budget surpluses both on the conventional administrative budget and even a larger number on the cash budget.

Representative CURTIS. In retrospect, you would approve of those balanced budgets?

Dr. HELLER. Those surpluses were extremely important and necessary and a desirable factor in moderating inflation and in stimulating investment.

Representative CURTIS. Then the key question is this: 1962, which is predicated to beat all records in gross national product, which is the way you have been measuring your gap, in spite of the fact that it is that way, and 1961 broke all records in gross national product, you do not feel that is a year when you need to have a balanced budget?

Dr. HELLER. Because of the fact that the economy is still operating very substantially below its tremendous potential, a fact which would, I am sure, be recognized by a very great majority of private, business, and labor economists, as well as the great majority of Government economists.