

STATE OF THE ECONOMY AND POLICIES FOR FULL EMPLOYMENT

THURSDAY, AUGUST 9, 1962

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The committee met at 10 a.m., pursuant to recess, in room AE-1, the Capitol, Hon. Wright Patman (chairman) presiding.

Present: Representatives Patman, Reuss, and Thomas B. Curtis; Senators Douglas, Proxmire, Bush, and Javits.

Also present: William Summers Johnson, executive director; John R. Stark, clerk; Hamilton D. Gewehr, research assistant.

Chairman PATMAN. The committee will come to order.

The committee continues hearings on the state of the economy and on improvements in policies to help achieve maximum employment, production and purchasing power.

This morning we will consider fiscal policies in general and tax policies in particular.

We have a very distinguished panel of experts on this subject, all of whom are old friends of the committee. Prof. Otto Eckstein, Harvard University; Prof. Paul W. McCracken, University of Michigan; Dr. Joseph Pechman, director of economic studies, of the Brookings Institution. It is delightful to have you, gentlemen.

Each of the panelists may make an opening statement if he has one, and then members of the committee will put questions to the panel under the 10-minute rule.

Dr. Otto Eckstein, you may proceed in your own way. You have a prepared statement, I believe.

STATEMENT OF OTTO ECKSTEIN, PROFESSOR OF ECONOMICS, HARVARD UNIVERSITY

Mr. ECKSTEIN. Thank you, Mr. Chairman. It is a pleasure to be back with the committee.

If the reports of usually well-informed reporters are correct, the prospect of a tax cut this year is fading. As has occurred repeatedly through the postwar period, the President and the Congress seem to lean to the view that a tax cut is either not necessary, or that the decision can wait a few more months, until short-term economic indicators cease to be mixed.

The decision has now waited for over 4 years. In the meantime, we have progressively lowered our sights about the performance of our economy, satisfying ourselves with higher rates of unemployment, talking bravely about growth, but, in fact, accepting a rate of expan-