

pansion? Again, to use the earthy illustration, of the peristaltic action, in actual life so many things move forward in that way. Do you think that is a natural state? If it is, we should not be trying to destroy it, should we?

Mr. ECKSTEIN. Our economy has always grown with cycles.

Representative CURTIS. It has, but is it natural and is it the way it should be, that is the question? I think some of you economic theorists are treating something that is natural as if it were a disease.

Mr. PECHMAN. I will try. What I do not like is your use of the term "natural." You use it in a way which suggests that, once you have said it, that is all there is to be said about the cycle.

Representative CURTIS. No.

Mr. PECHMAN. You said that 2 years ago, Mr. Curtis, when you were talking about growing pains, about business cycles. We never got back to high employment then. The real question is not—

Representative CURTIS. I will get to that because I happen to think, and this was the next question—maybe I better interject this—you see in your concept of this gap theory that Dr. Eckstein and Dr. Heller and apparently most economists, and your paper seems to buy, is on the assumption that there is failure to have full utilization of our productive resources which includes the labor force, which includes plant capacity. What I suggest that you are failing to realize is part of this natural thing, particularly in a dynamic economy which is innovation—and that to me is the real reason—

Mr. PECHMAN. Are you satisfied with the economy as it is today?

Representative CURTIS. On innovation?

Mr. PECHMAN. Yes.

Representative CURTIS. I am never completely satisfied but let me say this, that the innovation as near as we can figure reveals that 25 percent of the goods and services now on the market were not even known 5 years ago. There is a test of innovation. How much money is going into research and development? How much is going into retraining? Here is what I wanted to say. Part of the natural process, as I see it, is retooling, actually junking obsolete equipment. That applies to human beings, to taking skills that have become obsolete and retraining for new skills in demand. So a lot of what you people, I am afraid, call unemployment and unused capacity is part of a natural process of dealing with obsolescence.

Mr. PECHMAN. I must confess I have heard you say this a number of times, Mr. Curtis, and I would like to understand your position. Particularly the position that everything is going along all right.

Representative CURTIS. I did not say that. Because I am critical. If I had time, and I do not here, but I will come around in the second round, to point out where I am critical.

Incidentally, we all agree on one thing, the need for tax reform, and the fact that our budgetary process and fiscal policy is interfering with this natural, I say, process. You all for other reasons advocate the same approach. No, I am not satisfied with our economy. I never am. I do feel it is a basically sound situation and what we have got to do, in my judgment, is understand it a little better.

Mr. PECHMAN. There is no question about that. The problem, it seems to me, is that in recent years we have not utilized the tremendous resources of this country to the fullest advantage. For the last 5