

it represented of total economic activity. The transfer of resources that occurs every year as individual industries grow or decline is probably much larger. I am just putting it in perspective.

Representative CURTIS. Certainly in a technological, rapidly changing society the instance of transfer is increased. But it was sufficient, I would argue, to create what we call a recession after the Korean war.

Mr. SCHULTZE. That wasn't because of transfer costs.

Representative CURTIS. I argue at any rate that the evidence shows that it was almost entirely in the transfer area. From a partisan angle the critics of the Eisenhower administration granted it on another basis, almost ignoring the problems involved in shifting from a war economy to a peace economy.

Mr. SCHULTZE. And yet after World War II we didn't have a recession as a transfer cause.

Representative CURTIS. We didn't immediately. But I think we had these various problems which were caused by other conditions.

Mr. SCHULTZE. The only point I wanted to make for the record, Mr. Curtis, is that I don't think you can say that transfer costs are such, either in magnitude or in nature, that it is going to pose major recession problems. It doesn't mean that there won't be any problems at all.

Representative CURTIS. I wasn't saying that necessarily, I am just trying to direct attention to it particularly—I might say that in the structural area only our need for skills in health, education, and welfare impedes our growth there. We are talking in terms of hundreds of thousands of jobs going begging. And if this kind of shift is going to put a further load in that area, it means that we have got problems. I wouldn't necessarily say that we are going to come into a recession, because I don't think we will.

This leads me to the point where you say this:

There is no automatic mechanism which provides for an increase in private spending to absorb the freed resources.

And I was wondering what you thought the marketplace was, if that isn't an automatic mechanism in our society which will go to work immediately on absorbing the private spending.

Mr. SCHULTZE. Not unless certain decisions are made with respect to either taxes or other Federal spending.

Representative CURTIS. Isn't this what happened after World War II?

Mr. SCHULTZE. No, sir.

Representative CURTIS. What happened?

Mr. SCHULTZE. We had a massive reduction in taxes.

Representative CURTIS. I see what you mean.

Mr. SCHULTZE. I am not saying that within the consumption sector that we should be telling consumers what to do. What I do mean—

Representative CURTIS. I was afraid you were.

Mr. SCHULTZE. No, I was pretty clear, I thought. All I am saying that if you reduce defense expenses by—you name a figure, \$15 billion—something else has to be done to make sure that \$15 billion is used up, it could be a tax reduction, or monetary policy, or other Federal expenditure increase, but it won't happen by itself.