

The national chamber of commerce does not believe that fiscal flexibility should be achieved through tax policy.

(The attachment above referred to, follows:)

CONTRACT STUDIES DONE FOR THE UNITED STATES ARMS CONTROL AND
DISARMAMENT AGENCY

The Dyna-Soar Contract Cancellation, The United States Arms Control and Disarmament Agency (U.S.A.C.D.A.), Washington, D.C., July 1965.

Community Readjustment to Reduced Defense Spending, (Case studies of Potential Impact on Seattle-Tacoma, Baltimore, and New London-Norwich), done for the U.S.A.C.D.A. by the National Planning Association, Washington, D.C., December 1965.

Adjustments to Reduced National Defense Expenditures in New Mexico, a study done for U.S.A.C.D.A. by Kirschner Associates, Albuquerque, New Mexico, December 1965.

Industrial Conversion Potential in the Shipbuilding Industry, a study done for U.S.A.C.D.A. by Midwest Research Institute, Kansas City, Missouri, March 18, 1966.

Chairman PROXMIRE. Thank you very much for a concise and a very excellent statement.

Mr. Goldfinger?

STATEMENT OF NATHANIEL GOLDFINGER, DIRECTOR OF RE-
SEARCH, AMERICAN FEDERATION OF LABOR AND CONGRESS OF
INDUSTRIAL ORGANIZATIONS (AFL-CIO)

Mr. GOLDFINGER. Thank you, Mr. Chairman.

The possibility of a leveling off or decline of defense expenditures should be viewed as an opportunity, rather than a problem. But the opportunity will be missed—and economic problems could arise—if we fail to plan for an eventual leveling off or decline of military spending.

The issue was appropriately stated by this committee in announcing these hearings—the exploration of “contingency plans to insure full employment growth in the event of deescalation in Vietnam.” It seems to me that this issue can be divided into two somewhat related parts:

(1) Preventing a recessionary decline of economic activities, in the short run, and

(2) Preventing economic stagnation in the longer run.

I might add here that I do not believe that sustained full employment is guaranteed. Furthermore, as I see it, it cannot be achieved mechanically. It requires a will to act, and it requires policies to offset the economic impact of the leveling off or decline of military expenditures.

Moreover, a simple aggregate offset, as I see it, is not enough. There are additional policy issues involving the demand mix, both in economic terms and in social policy terms, such as the degree of emphasis on business investment as part of the demand mix, and how much emphasis should be placed on Government investment as against the private sector.

The magnitude of the issue is considerably smaller than in 1945–46 or in 1953–54. At present, defense expenditures account for 9 percent of the gross national product and expenditures for the war in Vietnam are about 3 percent of GNP.