tion of modern-day capitalism, the changes that have come about in the 20th century, particularly in the relationship of government to the economy.

The individual invited to discuss that particular development was Lord Franks, the provost of Oxford. His is one of the most searching of minds in this whole area, and what he proceeded to do at this particular convocation was to trace the evolution of modern-day capitalism, particularly the relationship of government to our society.

His basic thesis was that, when we came into the 20th century, the United States and most of Western Europe was still largely in the laissez-faire state, and that between the entrance into the 20th century and World War II, we moved into the second stage in the evolution of modern-day capitalism, from laissez-faireism to increased governmental regulatory activity.

He referred as illustrative to the various governmental agencies, SEC, and others that were created in this interim period. But the point I want to emphasize is that he then went on from the second stage to the third stage, in which he said we in the United States and virtually every Western industrialized power now finds itself, and that is an increased degree of government intervention in the marketplace.

This was of deep concern to him as it related to the basic structure of capitalism, and the strength that capitalism derives from the rationing process performed by the free market.

It is in a sense against that particular background that I wanted to develop the statement that has been placed before you. Rather than read this rather lengthy statement, I thought what I would like to do, and I would welcome questions as I move along, if you like that form of procedure, was to emphasize some of the empirical data that we have collected, that perhaps highlights these changes in a more significant way than just through broad historical recital.

Representative CURTIS. That will be agreeable, and without objection we will put the full statement in the record, and then proceed as you would like.

(Mr. Gainsbrugh's prepared statement follows:)

PREPARED STATEMENT OF MARTIN R. GAINSBRUGH

THE GOVERNMENT IN THE MARKET ECONOMY

Economic growth, first quarter of 1967 excluded, is perhaps more rapid and pervasive than ever before. Swift as has been the national growth rate and that of private industry, however, both have been outstripped by the public sector. This speed-up in public expenditures and governmental influence in the market place is particularly pronounced in the United States for the period following World War II. So complex is the scope and variety of federal, state, and local activities that time permits only a broad-brush picture of its impact upon the market place.

A. GOVERNMENT AS A PURCHASER OF GOODS AND SERVICES

A significant economic dimension of total governmental activity is its total outlay not only for the purchase of goods and services, but also for interest on its debt and subsidies, transfer payments for veterans, welfare and similar purposes. The combined expenditures of Federal, state and local governments after eliminating duplication that arises in such a total from Federal grant-in-aid, were roughly $209 billion in 1966. At the turn of the century the corresponding