

because they might not get him back in a tight labor market. A lull shows up as a drop in productivity; but the other side of the coin is that productivity can again improve if effective demand is there.

I don't want to be pessimistic about the behavior of prices based upon the present rate of advance, or even some slight improvement. On the other hand, I wouldn't counsel an increase in tax rates if all that was in store for us, according to our best guess, was a resumption of \$10 or \$12 billion of GNP per quarter. It is the fact that this may snowball into something bigger as you come up the incline. Historically, after pauses and recessions, the first few quarters can be very exuberant indeed; and this time we do not start from a low level of employment but from a high level of unemployment; and we do not start from disastrously low levels of capacity operation, although they are lower than in 1966.

I may also say that there has been some favorable behavior, if you want to take the worm's eye view of every last statistic, in the productivity data and in the wage cost per unit of output. That was a series which behaved unbelievably well for 4 or 5 years in the 1961-64 recovery; and then, like all good things, it did come to an end in its good behavior and began to rise. In the last few months, as I understand it, it has been pretty nearly stationary, and that gives us some help.

I would like to reinforce, for your committee, the testimony which Professor Tobin gave in February, in which he stressed the great importance to all the Nation of high levels of economic activity, and that we should not be complacent in the interests of other goals in letting the level of unemployment and degree of excess capacity rise. If we learned anything in the 1960's, it is that success does succeed. And in the 1950's we did a bad job in this regard.

Chairman PROXMIER. My time is up. I might say that, speaking for the committee, we did say that we would recommend a sharp cut in the spending, \$4 to \$6 billion, or something of that kind, or \$5 billion, provided exuberance in the economy developed, as an alternative for a tax increase.

We didn't say the economy was too weak, as you implied in your paper, for a tax increase, and therefore we ought to cut spending. That, obviously, should have been graded a flat flunk, but I think that the other has some merit.

Mr. Widnall?

Representative WIDNALL. Thank you, Mr. Chairman.

I would like to compliment both witnesses on their fine statements and also the humor that has been shown by both of them, even though it is at our expense sometimes. I would like to know what your first recommendation would be for a low-calorie tonic for the Joint Economic Committee to take to acquire economic sobriety in the mainstream. What is the first action you would recommend for us to take?

Mr. WESTON. Well, in my statement I argued that you should be strongly supporting increased flexibility on the tax side. I would vote for support of a change in the administrative structure of the mix of powers to have increased flexibility and the possibility of a speedier reaction time to avoid some of the problems that have been indicated in the restoration of the investment credit.

We know that that was delayed for unrelated reasons: arguments over a rider that had no relationship to the economic issues reflected