I am so completely Galbraithian that I think there should be maintained an equalization of the marginal social utility of the public sector and the private sector; and when resources are scarcer, I believe that both of these margins are withdrawn.

I am not trying to be harder on the Government sector than upon any other sector, but I dissent strongly from a view which achieved prominence in my profession about a dozen years ago and which has since blissfully passed out of notice (1) that public expenditure is not something ever to be varied cyclically depending on the state of demand, whether it be the expansionary or contraction; (2) that you make up your mind what the proper expenditure is and you hold to that.

Just as I called it snake oil to think that in a changing world you can make up your mind in advance as to what the proper behavior of the money supply is, I think that all decisions are interdependent, and need changing depending upon wartime and other new demands for resources.

Mr. WESTON. With your explanation we are in agreement because in your explanation you point out that at the margin you are equating returns from marginal public and marginal private projects.

Chairman PROXMIRE. There is another interesting aspect of this thing, it seems to me. What I had always tried to get Senator Kerr to give us when we had our debate on the space program is what the space program is doing to scarce resources, what it is doing to manpower resources.

This is an immense research program of the kind we have rarely had in the past. If we reduce the space program, we may make more resources available for graduate education, for industry, for defense, in other areas. Unless we have the kind of manpower study I wanted to get and never succeeded in getting, although I introduced amendments, it is hard for us to make a sensible decision as to whether the space program is warranted at the very high levels at which it was being funded, and I argue now that, absent that, on the basis of everything I have seen and knowing about the scarcity of these very precious manpower resources, whether it would be good to pare it but recognize that from a macroeconomic viewpoint this is not only a saving of money but the saving of a precious resource.

I would like to say, Professor Samuelson, that it is my understanding that whereas you give us a C in part because of our failure to come up with a sensible recommendation on monetary policy and plug for a 3- to 5-percent increase in the money supply, I understand that your very good friend Professor Friedman gives us an A-plus in this regard. If we add up what the professors give us, we come out pretty well. You say he is wrong.

Mr. SAMUELSON. With respect, yes.

Chairman PROXMIRE. I would like to ask you this because this may be a consideration in our report.

One of you gentlemen said that one of the reasons for liquidity preference, one of the reasons for the credit demand now is because people don't know whether the taxes are going up or not, and assume they are not going to. Can we say anything more that would be helpful in indicating that the administration should act and that this uncertainty is having an adverse effect on the economy in any other area?