

We appreciate your coming back. If you will identify yourself for the purposes of this record by giving us your name and capacity in which you appear we will be glad to recognize you.

**STATEMENT OF FRAZAR B. WILDE, CHAIRMAN, COMMITTEE FOR  
ECONOMIC DEVELOPMENT**

Mr. WILDE. Mr. Chairman, my name is Frazar B. Wilde. I am Chairman of the Committee for Economic Development; also chairman emeritus of the Connecticut General Life Insurance Co. I should like to file with the committee a statement of position on the proposed tax increase and to confine myself to some comments consistent with that statement if that is agreeable.

The CHAIRMAN. Without objection your statement will be included in the record and you are recognized to proceed in your own way. (The statement referred to follows:)

**STATEMENT OF FRAZAR B. WILDE, CHAIRMAN, COMMITTEE FOR ECONOMIC  
DEVELOPMENT**

Mr. Chairman, my name is Frazar B. Wilde. I am Chairman of the Committee for Economic Development, as well as Chairman of CED's Subcommittee on Fiscal-Monetary and Debt Management Policy. It is a privilege to appear before this Committee to give you the results of our studies as they apply to the President's proposal for expenditure restraint and a temporary tax increase.

Almost continuous study over a period of twenty years has led us to conclude that the Federal Government through its taxing and expenditure decisions could help maintain a healthy economy by following what we refer to as a "stabilizing budget policy." This policy is designed to balance the demands of the public and private sectors with our capacity to produce at stable prices, and to provide incentives and means for increasing productive capacity. The main characteristics of this "stabilizing budget policy," which aims not only at economic stability but also economic growth and efficiency, are:

That it should aim for a budget surplus to be used for debt retirement under conditions of high employment. This is important because the surplus would add to the funds available for private investment, thereby easing the pressures on monetary policy and promoting steady economic growth. The present budget will produce a very large deficit.

That the impact of the budget should vary with the condition of the economy as a whole, being more expansive when the economy is depressed and more restrictive when the economy is booming or inflationary. The present budget clearly does not do this.

That the over-all impact of the budget on the economy should not, when combined with appropriate monetary and other policies, be so restrictive as to make attainment of high employment unlikely or be so expansive as to lead to persistent inflation. The impact of the present budget will be inflationary.

A "stabilizing budget policy" is achieved when *the government sets its expenditure programs and tax rates so they would yield a moderate surplus under conditions of high employment and price stability.* It is independent of conditions at any particular time and it does not depend on correctly forecasting the future trend of the economy. But it does require attention to the surplus or deficit that would result at high employment.

A policy that would yield a budget surplus under conditions of high employment will not actually *yield* a stable surplus in a fluctuating economy. The surplus will be larger in inflationary booms. In such booms the surplus can be applied to debt reduction. It can supply funds for investment and in that way it can ease the strain on money and capital markets. But there will be a deficit when economic activity is much below the high employment level. Financing the deficit will use funds that are not in demand under those conditions and in that way it can sustain income. These swings will occur automatically with variations in national income and employment because they are accompanied by variations of tax revenues and certain expenditures, such as unemployment compensation.