

The full impact of it will depend on how much is canceled out by wage increases and other activities, but it would carry on for as long as the law was in effect.

However, the exact measure of this pressure I wouldn't be a good enough statistician to be specific about.

Mr. SCHNEEBELI. Would it take 3 months? 6 months?

Mr. WILDE. I think so.

Mr. SCHNEEBELI. You make a statement here on the bottom of page 3 under (2):

We have for some years now accepted the new economics theory that annual balancing of the budget is unrealistic and even undesirable.

Whom do you mean by "we"? Not CED certainly?

Mr. WILDE. Well, the "we" in this case refers to two groups, specifically CED, and broader than that. There is almost a majority of some dimensions in this country among the economists because most of them adopt the Keynesian approach philosophically. They differ in degree.

I did mean CED and a somewhat broader group.

Mr. SCHNEEBELI. Are you stressing "annual" rather than "cyclical"?

Mr. WILDE. Yes.

Mr. SCHNEEBELI. You believe in a cyclical balancing of the budget don't you?

Mr. WILDE. Yes; we do.

Mr. SCHNEEBELI. I am afraid that one sentence might be misinterpreted, but you do believe in a cyclical balance and even a surplus.

Mr. WILDE. I do very much.

Mr. SCHNEEBELI. I do too. Being from New England I would have suspected that you would too.

Mr. WILDE. It is more than that. It is really fundamental. I don't think you can spend yourself through deficits with perpetual success in our kind of a society.

Mr. SCHNEEBELI. Thank you very much.

The CHAIRMAN. Mr. Conable.

Mr. CONABLE. Mr. Wilde, earlier you were here and heard the testimony of our colleague, Mr. Patman, and I don't want to put you on the spot about it, but do you feel the market does or doesn't affect interest rates? I wonder if you could give us more of your views on that. In your business you have been very much concerned with interest rates I am sure.

Mr. WILDE. The interest rate dialog is a very complicated one. The distinguished Congressman from Texas has a certain theory about it. I would wonder very much whether it reflected the solid facts of life.

The idea that man has the power through any institutional instrument—ours happens to be the Federal Reserve System—that you can produce through an institution all the money you need for all the expansion that you want to have at a given point of time isn't borne out by history and it doesn't stand up in fundamental analysis.

The ability to run a capitalistic society successfully arises out of the production of wealth and the saving of some of it for useful purposes. In the meantime you can generate the so-called paper money credit through the operations of the Federal Reserve to help ease strains, but you can't carry it too far.