and the pressure on prices would be most severe. Do you see any prospects that this might constructively require us to have price controls?

Mr. BURNS. I would be greatly troubled about our Nation's future, if we move toward price controls under conditions that I can now foresee. The great strength of our country lies in our free economic system.

Price controls would impede and weaken our economy. There are circumstances under which I would grudgingly concede the need of price controls, but I don't definitely believe that we should seek to deal with a mild inflationary push from the cost side by imposing price and wage controls.

Chairman PROXMIRE. I am certainly inclined to agree with you. My frustration is trying to push hard to get some kind of an answer to an unfortunate economic situation in which inflation is going to be so painful for so many people. It is so hard to see any solution on the basis of your testimony.

Mr. BURNS. Well, you see, this is a lagging adjustment. In recent years profits rose, and rose sharply. The consumer price level rose very sharply last year. Wages also advanced. But the real wage-per-hour did not increase significantly last year.

The working people now want to catch up, and this is not merely the sentiment of a group of labor leaders. It is a widely shared sentiment and it will have to work itself out in the course of this year.

Chairman PROXMIRE. Thank you very much. My time is up. Congressman Widnall?

Representative WIDNALL. Thank you, Mr. Chairman.

Dr. Burns, I was particularly gratified reading your statement and listening to your testimony wherein you state very concisely the relations of our gross national product to Federal revenues, and I think you have put together in just a few sentences a clear summation of our problems today. I would like to repeat for the record, before I ask a few questions, what you said that impresses me so much:

> Our gross national product in 1966 was about $58 billion larger than in 1965. Federal revenues, according to the national income accounts, were $17½ billion higher. Thus, the Federal Government absorbed 30 cents out of every additional dollar of gross national product. The States and localities took another 10 cents. Thus, taxes siphoned off 40 per cent of the increment of the gross national product last year. During the past dozen years or so, this figure was exceeded only in 1956 and in 1960.

And then, this sentence is impressive:

> It may not be entirely an accident that these years were followed by recession. In 1963, when the Administration urged a massive tax reduction, it rightly put great emphasis on the fiscal drag of our tax system. The argument was that the tax system draws off so large a portion of a rising national income that it tends to choke off the process of expansion. Yet, in 1963, Federal revenues absorbed only 27 cents of every additional dollar of gross national product, in contrast to 30 cents in 1966.

You also stated earlier in your testimony some remarks with respect to the 20-percent increase in social security, and I take it from what you said in connection with that, that you felt an increase would be warranted, if it could be related completely to the stability of the fund, and as I understand it 8 percent would be warranted at this time. Do you think that this would be sound at this time?