over a longer period, more consistently, more successfully in Japan than any country that I know of.

What happened in Japan was that they cut tax rates, sometimes for corporations, sometimes for individuals, sometimes for both, and they found that the economy grew and that the tax revenue was larger than ever. In fact, tax revenue grew faster than expenditures. That made it possible to raise expenditures and cut tax rates at the same time. They kept repeating this cycle. It worked beautifully there.

Chairman PROXMIRE. How about prices?

Mr. BURNS. Well, that was a very cheerful story for a number of years. But Japan had a recession in 1965, between October 1964, and October 1965, roughly. In spite of that recession, the consumer price level rose approximately 7½ percent.

Chairman PROXMIRE. In 1 year?

Mr. BURNS. That is right. The wholesale price level, however, remained stable. This year the Japanese economy is moving forward rapidly once again, but the wholesale price level, which has remained stable so long, is now rising. The Japanese may soon be facing a balance-of-payments problem once again.

They did very well in keeping prices stable for a time. We did, too, for a while. For us, it was a remarkable period, from about 1958 to mid-1964, or roughly until the beginning of 1965. Now we no longer have a stable price level, unhappily.

Chairman PROXMIRE. It has been suggested that I ask you just one more question, and I want to apologize, but this has to do with your view of the so-called Heller-Pechman plan for redistributing Federal revenues to the States. What is your reaction to that plan?

Mr. BURNS. I like the plan.

Chairman PROXMIRE. How do you keep it from just being more spending? Do you prefer the plan to tax reduction?

Mr. BURNS. We are going to have more spending at the State and local level inevitably because we need it. On the other hand, I would like to see Federal spending curbed, and not merely for economic reasons.

I must tell you, Senator, that I am a little fearful of the future of the country. Too many people now have a stake in large governmental expenditures, too many businessmen, too many universities, too many university professors, and so on.

The spirit of dissent in our country, which is basic to democracy, is not as strong as it was in my youth. Too many businessmen are fearful of criticizing the Government. Why? They have contracts with the Government or they hope to have contracts with the Government. That is a major reason.

University presidents no longer speak out forcefully, in forthright fashion, on national issues as they did in the days when you and I were at college. Even university professors much too frequently practice a studied reticence.

A rising trend of governmental expenditures in our country I am afraid is inevitable, but I would like to see it take place on the State and local levels primarily. Therefore, I am sympathetic to the basic idea of the Heller-Pechman plan.

However, there is a time for everything, and this year is not the time for the Congress to pass legislation of this sort, unless you seek to put it into effect at a future date.