

tional reduction of interest rates are important. But however they turn out, I do not think that the United States can stick with an interest rate structure which was adapted only to critical and extraordinary inflationary conditions last year, just because one of its unintended byproducts was an inflow of funds borrowed abroad.

Chairman PROXMIRE. Thank you very much, Professor Tobin.

Professor Culbertson, your statement is somewhat more detailed than Professor Tobin's, and I would appreciate it very much if you could telescope it to 20 minutes or so and the entire statement will be printed as it is in the record and undoubtedly on questioning you can bring out some of the other points, or you can bring them out.

Mr. CULBERTSON. Thank you, Mr. Chairman.

**TESTIMONY OF JOHN M. CULBERTSON, PROFESSOR OF ECONOMICS,
UNIVERSITY OF CALIFORNIA, ON LEAVE FROM THE UNI-
VERSITY OF WISCONSIN**

I have an abbreviated version of my statement which I would like to give. I appreciate the opportunity to appear before the committee.

Chairman PROXMIRE. I might say it is a delightfully iconoclastic statement. It's very helpful. We have been listening to administration witnesses say, as you indicate, that their policies are the best of all possible policies, of course, and it's good to get both of your criticisms this morning. Go right ahead.

Mr. CULBERTSON. One of the functions of the academic community is to assume an independent position and I have tried to do so.

The issues that I should like to raise are basic ones relating not only to serious questions about current policy but also to the general performance of the institutions now existing to effectuate the Employment Act of 1946.

The administration programs for monetary and fiscal policy depends upon a certain interpretation of the past roles of these policies presented in the annual report of the Council of Economic Advisers. That seems to me difficult to sustain on a factual basis. When we take fiscal policy as measured by the high employment Government surplus—a concept developed by the Council a few years ago but laid aside by it recently—we reach these conclusions.

1. Past fiscal policy has varied erratically in recent times, and in recent times has contributed to economic stability, being unusually restrictive in 1960-62 when the economy was slack and becoming extraordinarily expansive by 1965-67 when this was no longer appropriate.

2. Fiscal policy must not be a crucial determinant of economic developments, since the takeoff that brought the economy to full employment began in 1963 when fiscal policy was unusually restrictive and the choking off of an inflationary expansion in 1966 occurred when fiscal policy was extraordinarily expansive.

3. Fiscal policy currently is in the most expansive position in modern times. With budgeted expenditures, it will go further in that direction later this year unless taxes are increased or expenditures cut back.

In summary, we might say that we seemingly were saved from the inappropriateness of fiscal policy in recent years only by its ineffectiveness.