

If expenditures are rising, not to increase taxes, because it isn't crystal clear that the economy will be extremely strong into the indefinite future, it seems to me puts one in an untenable position. To control the fiscal position we do have to make changes in taxes that offset changes in expenditures, and we are often too neglectful of the necessity of using taxes to offset expenditure changes.

Chairman PROXMIRE. Thank you very much. I thank both of you gentlemen very much. It has been a mighty stimulating morning. As I said, this afternoon we have two more economists coming up, Dr. Hansen and Dr. McCracken. The committee will stand in recess until 2 o'clock.

(Whereupon, at 12:25 p.m., the joint committee recessed until 2 p.m., the same day.)

#### AFTERNOON SESSION

Chairman PROXMIRE. We continue our hearings this afternoon with two highly distinguished economists. Alvin Hansen, Littauer professor of political economy emeritus, Harvard University, needs no introduction to this committee or this audience. He is one of our great economists and has probably done more to make known the principles of modern economics than any other single person, and I might say he was also a professor of mine at Harvard, and I am afraid that was one of the, probably one of the, few challenges in his life he was never able to overcome, because while I learned a great deal from him, I am afraid I didn't absorb nearly as much as he imparted.

Paul McCracken, professor of economics at the School of Business Administration at the University of Michigan, former member of the Council of Economic Advisers in President Eisenhower's regime, likewise needs no introduction to this committee. His incisive mind and lucid vision have benefited us on many occasions in the past.

I was honored to appear at a meeting with Professor McCracken and listened to his words of wisdom not long ago. We are mighty happy to have both of you gentlemen.

Professor Hansen, you may proceed.

#### STATEMENT OF ALVIN HANSEN, LITTAUER PROFESSOR OF POLITICAL ECONOMY EMERITUS, HARVARD UNIVERSITY

Mr. HANSEN. Senator Proxmire, thank you very much for those generous remarks. I am glad to appear before you and your committee and discuss the economic problems that confront us.

I shall not attempt to appraise the overall survey of economic developments and foreseeable trends contained in the January 1967 Economic Report. I shall limit myself to brief statements on two points, both related to the problem of price stability and the control of inflation.

The first point has to do with the wage-price guidelines—an extremely complicated and I may say confusing subject. I believe that the Council, in its 1962 report, wisely opened nationwide discussions of the productivity guideposts, and I am convinced that this discussion has brought into the open some of the basic principles that cannot be ignored if collective bargaining is to be conducted on lines that promote a balanced economy. But there remain some dark spots that need to be explored.