Representative WIDNALL. It certainly seems to have a great effect on the economy within the last couple of years.

Mr. HANSEN. Oh, yes. It was intended as a longrun——

Representative WIDNALL. It heated up the economy too much in some areas, I think.

Mr. HANSEN. Yes. From the longrun standpoint, it surely is a factor in helping to promote growth, and it can be used countercyclically but it doesn't seem to me it is a very flexible countercyclical device, and I am not very enthusiastic about it.

Mr. MCCRACKEN. I would agree 100 percent. I think our current awkward situation that we confront here at present is good evidence of this.

We do have this very difficult question of how to avoid an air pocket now at the latter part of this year. In the first place, the investment boom that we had a year ago was primarily caused simply by the inevitable response of investment activity to rising levels of business, and situations where increasingly companies were hitting the ceiling of their existing capacity. The investment boom there was simply a symptom of the generally rapid increase in business activity.

But as a cyclical instrument, I think it is an extremely awkward one. In most cases its use would tend to be another chapter in this history of the extent to which the operation of economic policy that starts out to stabilize winds up destabilizing the economy.

Representative WIDNALL. Just one other question. Dr. Heller, when he appeared before the committee, said that increases in social security in the benefits and the payroll taxes might be timed for their economic impact. Do you think that social security benefits and taxes should be used as an economic stabilization tool?

Mr. HANSEN. That was advocated a good many years ago in England, and there has been very much discussion about it. It was discussed again relatively recently 2 or 3 years ago in Britain.

No, again, I would say that I would not be very enthusiastic about using it as an countercyclical device. I feel that the surcharge is an excellent countercyclical device. Its impacts spread uniformly throughout the entire country.

The reason why I don't like any large use of monetary policy is exactly that its impact is not even over the entire economy. It hits certain parts of the economy much harder than others, and from that standpoint, therefore, I favor pretty continuously low-interest rates.

I have in mind monetary policy moving a little against the wind as my colleague, and Professor McCracken's former teacher, John Williams would say, "Monetary policy moving against the wind, but making only a modest contribution," the phrase he used. I think the surcharge is an excellent countercyclical device, and the President should be empowered to use it.

On these other matters, they disturb things that ought to be settled policy.

Representative WIDNALL. Thank you, Professor Hansen.

Professor McCracken, will you comment on that also?

Mr. MCCRACKEN. Well, I seem merely to be in the position of the obedient pupil here, because once again I agree on this issue of social security.