

This huge budgetary growth has led the Senate majority leader to call for a reexamination and reevaluation this year of major programs in the hope that quite apart from aggregate employment and output the effectiveness of resource allocation can be strengthened by consolidation and economy in the Federal Government. The Chamber of Commerce Federation respectfully recommends Senator Mansfield's view to this committee and the Congress.

I would like to add for the record a quotation from an article by Roger Blough, "The Bread of Tomorrow," which appeared in United States Steel News, January-February 1967. On page 16, with respect to the question of the distribution of income:

Certainly, therefore, a much more meaningful way of measuring the relative behavior of profits and employee compensation would be to compare the respective shares of the total national income that went to each. For here the percentage in each year apply to exactly the same base on both sides. And looking at the facts in this way, we see that in 1960, 10.3 percent of the national income went to profits, while in 1965, this figure had dropped to 8 percent.

Conversely, the share of the national income that went to employee compensation in 1950 was 64.1 percent, and by 1965 it had risen to 70.3 percent. So the employees' share has expanded by about 10 percent while the profit share has been squeezed down 22 percent, a fact that clearly belies the erroneous notion that profits have flourished at the expense of wages.

Chairman PROXMIRE. I am sure that Dr. Madden and Mr. Goldfinger are going to disagree on this throughout our colloquy. I would like to get on something else. Before I do that, however, I would like to ask if all of you gentlemen would agree that whether or not we should impose a tax increase should be an economic decision primarily, based on the status of the economy, or should we give consideration to the budgetary situation at that time, and the need for coming closer to a balanced budget which presumably a tax increase would provide.

Frankly, most of the economists appearing before us, in fact all of them so far, have said that we should pay attention to the economic indicators and not have a tax increase if the situation looked somewhat depressing. Would you agree with that analysis or would you think we should give more consideration to the budgetary element?

Mr. SPRINKEL. Yes, sir; I would agree with that analysis. I think it should depend on the state of the economy. In the long run I would hope that we can set our tax structure in such a way as to achieve a balanced budget once in a while, and maybe even a surplus, but I am not too hopeful, for the simple reason that every time we get close to a surplus, there is a great tendency to either spend more or to cut taxes. So in the long run, hopefully, we might balance it at full employment, but at the moment let's even hold on that, because the trend in the economy does not look that strong.

Chairman PROXMIRE. Mr. Madden, I take it from your analysis you would agree more or less with that?

Mr. MADDEN. Not quite. My argument was that irrespective of the economic conditions, there have been questions raised by many people about the effectiveness of the resource allocation that stems from the budget. Senator Mansfield, Richard Goodwin, the President's state of the Union message itself have all implied there is a need for consolidation of programs, a reevaluation.

Chairman PROXMIRE. I am talking about something else, Dr. Madden. Assuming a given level of spending, maybe Congress can reduce