

of the need, although somewhat more significant in terms of the realities of rising military expenditures.

Secondly, I am not sure about the economic trends in the next several months. I would want to watch them very carefully, and I would prefer to make judgments in May and June, rather than in February.

Representative REUSS. You made a very interesting presentation, Mr. Goldfinger, of what you called a changed relationship between the incomes of various groups. I, of course, am concerned about the case you make, because if true, and I think we have to put much thought on it, and I am going to ask, Mr. Chairman, at the proper time that the staff make an independent study of the problem, I am concerned lest changes in income distribution, apart from the equity involved, may bring about a situation where the spending power of this country is so skewed that in a given economic period we can't take off the market the goods that were produced in the last.

This was the specter talked about by Marx, Hobson, Keynes and many others and now that we are getting toward a full employment period it is something we have to look at very carefully. Could you respond to the theory on this?

Mr. GOLDFINGER. I agree with you completely. There is the equity issue. But as I tried to indicate in response to Mr. Rumsfeld's question, there is also the boom and bust aspect to this kind of wrong-way distribution of income, because this kind of income distribution leads to an excessive amount of savings, both in the form of corporate profits and the savings of wealthy families. Such savings are either invested or drawn out of the economy. If they lead to the kind of superboom we have recently had in which investment increases twice as fast as GNP for 3 years in a row, the economy suffers because we cannot take off the market the kind of vast increases in production made possible by the growing productive capacity.

I agree with you completely. I think that there is a real underlying problem here of the sustainability of economic growth with this kind of income distribution—the kind of problem that we have been getting into.

Representative REUSS. My time is up, and, Dr. Madden, I will have some more time and I am going to use as much of that as you want in giving you an opportunity to reply.

I would just say in response to what you said, Mr. Goldfinger, that I am not as bothered by excessive capital investment perhaps as you are. What bothers me is an income distribution situation which results in no investment whatever, but in the escape of savings perhaps overseas to Europe, which does not help the United States and could produce an oversaving.

Mr. GOLDFINGER. Right.

Representative REUSS. An extra factory or two sitting idle doesn't necessarily throw me into a tailspin, because after all, people have worked to build that factory.

Mr. GOLDFINGER. But it results in unemployment at home and it also contributes substantially to the balance-of-payments problem in the form of runaway capital.

Representative REUSS. We must get to that, and Dr. Madden will certainly have something to say.

Thank you, Mr. Chairman.