TABLE 3.—*Federal fiscal trends since 1959*

[Receipts and expenditures in billions, based on national income accounts]

	Receipts	Expenditures		
		Total	Defense	Nondefense
Fiscal year:				
1959	$85.4	$90.9	$46.6	$44.3
1962	104.2	106.4	50.2	56.2
1965	120.6	118.3	48.5	69.8
1968 (estimated)	167.1	169.2	74.1	95.1
Percent increases:				
1959-68	96	87	59	115
1959-62	22	17	7	27
1962-65	15	11	−1	24
1965-68	39	43	53	36

Source: U.S. Department of Commerce. (For fiscal 1968—Budget of the United States, summary table 3.)

Mr. HAGEDORN. Thank you.

The central question, the most important question, before economic policymakers this year is the fiscal policy that the Government should pursue, and let me get right into it.

To summarize the views of the NAM, we believe that the Government should not increase the tax rate, as proposed, in the middle of this year. It should, instead, make every effort to control and reduce the level of Federal spending. This isn't a new thought to you, but let me bring out some aspects of it that perhaps haven't been emphasized enough in previous discussion.

First of all, in discussing the economic impact of fiscal policy, I find, and perhaps you have observed, too, a tendency to feel that it's all summed up in the one figure, the deficit or surplus on the national income accounts. Thus, the total level of spending doesn't seem to count very much, and the total level of revenues doesn't seem to count very much. It's the difference between the two that is regarded as having the important impact.

I mention this fact because I think some of the witnesses before you have urged that if, through fear of weakness in the economy, you forbear to increase taxes during this year, the same logic would urge that you not reduce spending either. I don't think that conclusion is valid because taxes and spending are not simply the counterbalance to each other. You can't sum up the impact of a tax program and a spending program simply by one figure which states the differences between revenues and expenditures on the national income accounts basis. Taxation has an impact on incentives, for example, and on the whole tone and feeling of the economy. That isn't simply a reflection of the amount of purchasing power withdrawn by the tax system, and its replacement by purchasing power put out into the economy by the Government spending. You have to look much deeper than that into the real concrete impact of the various taxes and proposed taxes on what people do.

Furthermore, the function of fiscal policy is not merely to regulate the economy, to act as a balance wheel to take away from, or add to, the total level of demand in the economy. The fiscal system is much more important than that. It is the concrete way in which you decide