the way of Government service as contrasted with the amount that they want to keep for themselves out of the national income.

I have just compiled the figures on receipts and expenditures, the total expenditures as divided between defense and nondefense expenditures, over the fiscal years from 1959 through 1968.

The first point I would make is that, if you look at the whole period, the growth in expenditures has occurred chiefly in the nondefense field. The growth in defense expenditures over this period, taken as a whole, has been quite modest, and if we had held nondefense expenditures down to the same level, we certainly wouldn't be suggesting that a tax increase might be necessary at this time. So that we shouldn't have the illusion that the basic reason that a tax increase is being considered at this time is the sudden increase in the past couple of years in defense expenditures. When you look at it in the longer perspective, it is the nondefense growth that has been much greater.

Now if you divide this whole period into three 3-year periods, there are some interesting facts revealed there, too. The growth in spending and in nondefense spending in the most recent 3-year period has been the most rapid of all. We have been accelerating the growth in nondefense spending. You might have expected to find that in a period when we were running into military difficulties and needed more of our national income for that purpose, we would have been holding down on the growth of nondefense spending. Instead, it accelerated in the most recent period.

You notice that the period in which the growth in expenditures was held down is the middle of these three periods, the period 1962 to 1965. That, of course, is the period when the 1964 tax reduction was being discussed and was being finally enacted. In that period, when the American people and you, their representatives, were considering the relative advantage of more spending as against leaving more income in the hands of the people as individuals, you decided that the best thing to do was to leave more income in their hands and to reduce the rate of Government spending if that was the price you had to pay for such a tax reduction.

I think my time is running out, so I want to get on to another aspect.

Chairman PROXMIRE. You have about 2 more minutes, Mr. Hagedorn. Would you like to summarize?

Mr. HAGEDORN. There is one more important thing I wanted to say, and I will have to reduce it greatly. In the field of price-wage policy, the most important lesson that I think has to be put across in the way of educating the American people and the participants in the price-wage determining process is that the greatest enemy of full employment is the forces that would push wages up too fast and price labor out of the market. If this fact is learned, we have a greater hope of maintaining full employment without inflation in the country. If this lesson is not learned, if we pretend that you can push wages up faster than productivity, without suffering in employment, why then the country is going to be faced indefinitely with the choice between inflation and unemployment.

I would like to say just one thing more because I know it has been on your minds, and I feel this very deepy. I would urge you gentlemen in Congress not to enact a price-wage guidepost system that would draw yourselves into either the derivation of price-wage guideposts