percent unemployment, we would have had a surplus, and therefore to get to that 4 percent level you had to overcome the drag of taxes that are too high in relationship to your spending.

Now, if you design your unemployment rate at 3 percent—conceivably we might today have a balanced budget with 3 percent unemployment, at least closer to it.

Mr. STEIN. Well, the drag arises——

Chairman PROXMIRE. Therefore, you might have some drag right now.

Mr. STEIN. The drag arises from the change in the size of the surplus and not from its level. What was happening, say, in 1957 and the succeeding years was that the amount of the surplus we would have been running at some constant unemployment rate was rising very rapidly. At a 4-percent unemployment rate in 1957, the surplus might have been 3 billion, but by the time we got to 1960 it was over 10. And it was that increase which is a sign of a problem and not the absolute level. And this increase would have been shown if you had measured unemployment at 3 percent or 4 percent. As long as you had kept that unemployment rate stable that you used for measurement purposes, you would have seen an increase in the surplus position of the Government.

Chairman PROXMIRE. At any rate, there is nothing inconsistent with this concept of high employment surplus and using it as a helpful economic policy guide in the proposed budget. You simply complain about the fact that the Commission did not emphasize it, it did not require it as something that should be reported.

Mr. STEIN. That is right.

Chairman PROXMIRE. Well, thank you very, very much. This has been a most enlightening morning. We appreciate it very much.

The committee will stand in recess subject to the call of the Chair. We will have administration witnesses at a later time.

We will also include in the record the statement of Maurice Stans who was unable to be here as scheduled.

(Mr. Stans' statement in full is as follows:)

STATEMENT OF MAURICE H. STANS, FORMER DIRECTOR, BUREAU OF THE BUDGET

Mr. STANS. By way of special introduction to these remarks on the report of the President's Commission on Budget Reform, I would like to acknowledge that I have been an outspoken critic of the structure and format of the Federal budget for some time. Although my term as Director of the Budget expired early in 1961, I have continued to be a student of the annual budget. My strong views on the need for reform were expressed in an article in the Journal of Accountancy in November 1966, and in an interview published in U.S. News & World Report early in January of this year. And I would be less than fair if I did not say that some of the practices of which I have complained existed during my term as Budget Director, although they were not at that time very significant.

At its invitation, I met with the Commission in the course of its work and outlined suggestions for reform of the budget document and concepts, in all involving more than 20 specific propositions. I