would not call for any compensatory action. Persistent deviations, on the other hand, would call for a reassessment and adjustment.

Although not articulated in this wise, the position of the Ways and Means Committee to date on the income tax surcharge may be interpreted, I believe, in this light. That committee's position, it seems to me, is an expression of a desire for conforming the public finances of the United States with the policy prescription enunciated in the early fall of 1963; that is, moderate growth in Federal expenditures coupled with periodic tax reductions.

It may well be that the Nation's preferences in this regard have changed since 1963–64. We may now deem it advisable for the Federal Government to extend and broaden its responsibilities without offsetting elimination or phasing out of longstanding programs. If so, this change in preference can be readily ascertained, if the issue is put to the Nation in these terms, rather than in terms of a budget arithmetic which seeks to assure us that a $10.4 billion year-to-year increase in expenditures is scarcely any increase at all, or is attributable to Vietnam costs, or is required by existing—inferentially, unchangeable—legislation, and which fails to convey to us the costs of existing and new programs over a reasonable period into the future—at least, say, 5 years.

There is scarcely a sadder commentary on the present state of Federal expenditure policy than the fact that the Members of the Congress are each year surprised by the increase in outlays which "are required by existing legislation." Yet, year after year, new spending programs are proposed and their enactment urged without any appraisal of their likely costs over their full lifetime or any significant part thereof.

If there is an occasion for a tax increase this year, then, it is for a permanent addition to Federal revenue potential to meet the Nation's preferences for a permanently increased path of Federal expenditures. Such an occasion, to repeat, may well exist. The real challenge for fiscal policy this year is to determine whether, in fact, it does.

Chairman PROXMIRE. Thank you.

Our last witness is Prof. Fred Weston, who is the UCLA economic equivalent of Gary Beban and Lew Alcindor, the gift of UCLA to this committee and other committees of the Congress. Mr. Weston is an outstanding forecaster and a fine witness. Happy to have you.

STATEMENT OF J. FRED WESTON, PROFESSOR, BUSINESS ECONOMICS DEPARTMENT, UNIVERSITY OF CALIFORNIA AT LOS ANGELES

Mr. WESTON. Mr. Chairman, since my prepared testimony overlaps some of that of the first two speakers, I will summarize it in places. In places it rebuts inferentially the previous speaker, and there would be a temptation to elaborate on this, but I won't, since I presume there will be time during the discussion for this.

REVIEW OF THE ECONOMY SINCE MID-1967

When I last appeared before this committee on June 29, 1967, the committee was also at that time engrossed in the question of the tax increase. The economy had showed a decline in real terms between the