

Weston, and Saulnier happen to believe in the effectiveness of changes in taxes and expenditures in the short run in determining the level of gross national product and economic activity.

I used to believe that, too.

I think that is what Mr. Bolling was alluding to.

I do not find factual support for that belief. Therefore, it is an article of faith, it seems to me, unsupported by the data about the economy in the postwar period.

There have been numerous attempts to examine changes in fiscal magnitudes and see what happens to changes in the economy. Those tests always come out the same way. There is no close relationship.

Now, I think that is what is meant when Professor Weston says that an economy in which aggregate demand is excessive, we have to bring it back in line in order to make any kind of incomes policy viable.

I think the latter part of his statement is correct. That is to say, in trying to impose wage-price guideposts with a wage rule of 3.2 percent when prices are rising at the rate of $3\frac{1}{2}$ or 4 percent per annum, is just foolish.

Indeed, the guideposts could be made to work, it could only be in a context where they don't have to work, where it is not necessary, where you don't have to rely on them.

The dispute I would have with Professor Weston—

Senator JORDAN. They only work when they are not needed, when the pressure is not on. That is what you are saying?

Mr. TURE. That is right.

Mr. WESTON. I would like to comment on that, too.

In terms of the evidence that Mr. Ture presents in his paper, a portion of which he gave orally, as well, his tests of the efficacy of fiscal policy were sorely inadequate in that he simply related some changes in fiscal policy to overall economic magnitudes.

There are large numbers of other factors influencing GNP than fiscal policy. To ignore these, and to attribute causality, one to one causality, when you measure the influence of one factor and not holding a large number of other factors constant, it seems to me is not a valid test, and is not a sufficient basis upon which to draw the conclusions which he drew from the evidence that he presented.

The second point is really a part of the first.

I am anticipating, of course, what he is going to say about the first.

I want to say, with regard to the second, that I think he is incorrect in characterizing my position, and I think a number of other positions, that changes in tax and expenditure policy in the short run can provide an exactly counterbalancing influence in the economy.

The argument that I have made is that these changes certainly have not been temporary. They have not been half-year or one-quarter changes. This has been a persistent excess demand situation that we have been facing since Congress passed laws reflecting a different expenditure policy toward old age, medicare, et cetera, and since Vietnam defense expenditures have been rising.

This has not been one quarter or half a year. This has been a persistent pattern, and it is about time we do something on the revenue side in response to it.

And second, that even when you have expectations of quarter-to-