

I want, first, to commend the committee on its decision to hold open hearings at this time on economic policy and to thank you for inviting me to participate in them.

Certainly, the hearings are timely. Although the economy is far from being in distress, things have not gone very well and certainly not as well as was expected. The 1961-62 recovery and expansion was not up to par, much less than having been an improvement over earlier recoveries. And there was those who think that after only 17 months of recovery and expansion a downturn is imminent. It also adds to the timeliness of these hearings that they come at a point when the Federal budget is being shaped up for the fiscal year 1964, and I would assume that work on the legislative program for 1963 will soon be under way in the executive branch.

In short, the time couldn't be more appropriate for an open discussion of economy policy. I think it would be agreed, also, that such a discussion is needed.

As I understand it, you have already received testimony setting forth the salient facts on the economic situation. I will try not to duplicate any of this, but before I comment on policy matters I must give you my own conclusions regarding the present position of the economy and the near-term outlook, for these are critical to my policy recommendations.

It is widely acknowledged that for some time now the indicators to which we look for clues as to the economic outlook have been far from encouraging. Warnings of a slowdown in the rate of economic advance began to be visible early this year. Month by month these warnings were confirmed; but the evidence for the month of May went beyond this and suggested a strong possibility of a downturn occurring before the end of the year. If anything, June darkened the outlook a bit.

July was another matter. Not very much data are available yet, but what there is suggests that the economy steadied itself and improved a bit. Indeed, for a month that is often hard to interpret, I would say that the evidence of improvement in July is pretty clear. Certainly, if we look at the month's developments from the point of view of their policy implications there is no doubt but that they destroyed any case there may have been for an emergency tax cut.

And perhaps I can best express my estimate of the near-term outlook by saying that I doubt that developments in the next few months will warrant emergency tax cutting.

But it would be a mistake to think that the danger of a downturn has been altogether averted. I don't think one can say at this time that it has been any more than deferred. The economy has shown resistance and strength in the last few weeks but the record for the recovery as a whole obviously suggests a lack of the kind of liveliness one would like to see.

The way I read the record, it is saying that there is no need for emergency antirecessionary tax cutting, but that there is an urgent need to strengthen the underlying forces that make for growth in our economy and to remove obstacles to growth. And I would say that the record is telling us, also, that we don't have an unlimited amount of time to shape and adopt the needed measures.