

Secretary DILLON. Well, I do not wish to put myself in the position of an economist who can prognosticate accurately about what is going to happen in the future.

I would say simply this: that I have been among those who were not as disturbed as some others by some of the figures which came out regarding the economy in June, in particular, because I felt there were a great many special factors at work there, which tended to make those figures exaggerated on the downside and more or less a special circumstance.

That seems to be borne out by the figures which are coming out for July, all of which show a resumption of the upturn. The newest figure, which came out yesterday, and was particularly significant, showed that new orders for durable goods for July increased very sharply over the June level, and indeed increased over the level of May and April, and I think even March. It went back to practically the February level.

I think the sharpness of that rebound was partly because the June figures were unduly depressed by some special circumstances, including primarily the slowdown, which was merely temporary, in defense orders.

But that just shows one incident of that nature. The Defense Department, for reasons which are not clear, was just a little slower than usual in placing orders toward the end of the fiscal year. That turned down the new orders indicator in June, and everybody felt we were going to have a recession in September. Well, the Defense Department got back on the beam in July, and new orders are up.

Now, I do not think that means that we are going to have a boom in September, but I do think that the best description of the economy is that we are moving ahead, that this recovery is not exhausted, that we will continue to move ahead, but that we are not moving as satisfactorily or as rapidly as we would like. Every indication is that we will not reach the full capacity and full employment level that we all hope to get to unless some other action is taken.

And that is why I think permanent action in the tax field is necessary.

Senator JAVITS. Do you consider that to be the most important single thing that Government can do in order to come abreast of the three major economic problems which are referred to in the first paragraph of your statement, to wit, the difference between our productive potential and the current rate of business activity, endemic unemployment at an unacceptably high level, to use your words, and the deficit in our balance of payments?

Secretary DILLON. Well, I do not like to say that any one thing is the most important, but I think it is an essential thing.

As you will note in the concluding paragraph of my statement, there are other things in other areas, but this is certainly the most important thing in the financial area. It is the one thing we can do in that area, and I think if it is not done, the things that might be done in other areas might not be effective. So I think it is an essential element.

Senator JAVITS. Well, as the Treasury sees it, are we making a satisfactory recovery from the recession of early 1960?