

ECONOMIC OUTLOOK AND ITS POLICY IMPLICATIONS

TUESDAY, JUNE 27, 1967

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The joint committee met at 10 a.m., pursuant to call, in room 1318, New Senate Office Building, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senators Proxmire, Talmadge, and Jordan of Idaho; and Representatives Bolling, Reuss, Moorhead, and Curtis.

Also present: John R. Stark, executive director; James W. Knowles, director of research; and Donald A. Webster, minority staff economist.

Chairman PROXMIRE. The Joint Economic Committee will come to order. This morning the committee again opens hearings on the economic outlook and its policy implications. This is in accord with both long-standing precedent, and section 5-b of the Employment Act under which the committee is enjoined from time to time to make such reports and recommendations to the Congress as it deems advisable.

At times the committee has felt that the economic outlook could be reviewed adequately by means of an analysis prepared by the staff; at other times we have resorted to public hearings—at times when critical decisions are before the Congress the committee has done this in midyear.

It is especially important that we conduct this 1967 midyear review of the economic outlook and its policy implications because the Congress faces important decisions, both on spending programs and on the possible need for a tax increase. These decisions must be made soon, and Congress should have before it, in the near future, the best possible guidance as to the state of the economy and the implications of alternative government policies.

This is especially true since various analyses of budget prospects, which I summed up on the floor of the Senate on Wednesday, June 7, indicate that the administrative deficit is likely to run somewhere between \$16 billion and \$29 billion; the cash deficit between \$12 billion and \$20 billion; and even on the national income accounts basis, which excludes transactions in capital items, the estimates of the deficit run between \$9 billion and \$17 billion.

Deficits of these magnitudes, if realized, coming on top of the cost-push inflationary pressures caused by wage and price increases over and above the guidelines, would in all probability bring about a return of excessively high interest rates and tight money conditions similar to, if not worse than, last year. This is a meat-ax approach to the solution of the economic problems of the Nation which could