

produce great harm to just those least able to bear its burdens; namely, consumers, small businessmen, farmers, and home buyers. Under these circumstances, the committee looks forward with great interest to hearing the witnesses this week.

I call attention, also, to the fact that the Director of the Bureau of the Budget, Dr. Charles L. Schultze, has agreed to furnish the Joint Economic Committee with estimates of the budget—expenditures and receipts—in late July. Should this week's hearings and Budget Director Schultze's report make it desirable, we can hold further hearings later.

I would also like to note, at this point, that the Defense Department, at the instigation of this committee, will begin to issue the new monthly series on Defense Indicators within a few days. In view of the massive impact of military spending on the economy, this series should prove to be a substantial aid to the Congress and the public in gaging the economy.

This morning, we are indeed fortunate and privileged to begin the hearings by hearing from the Honorable Gardner Ackley, Chairman of the Council of Economic Advisers, and one of America's most distinguished and able economists, who is accompanied by the two other distinguished members of the Council of Economic Advisers, Dr. Duesenberry and Dr. Okun.

Chairman Ackley, we are happy to have you with us this morning. You may proceed.

STATEMENT OF GARDNER ACKLEY, CHAIRMAN, AND JAMES S. DUESENBERY AND ARTHUR M. OKUN, MEMBERS, COUNCIL OF ECONOMIC ADVISERS

Mr. ACKLEY. It is a pleasure for the members of the Council of Economic Advisers to appear once again before this distinguished committee. The statement which I have is rather long, I fear. It doesn't quite have the dimensions of a midyear economic report, but it does approach them. I apologize for its length.

Five months ago, the Annual Report of the Council of Economic Advisers for 1967 was transmitted to the Congress. We welcome the opportunity today to review domestic economic developments since that time and to reassess the judgments that we made in January about the profile of economic activity in 1967 and its implications for fiscal and monetary policies. Let me summarize our key conclusions at the outset.

1. *The economy has advanced at a slow pace so far this year—indeed even somewhat more sluggishly than we had anticipated initially.*—The slowdown resulted primarily from a sharp decline in inventory investment. The inventory adjustment, in turn, was a consequence of the excessive speed of the economic advance in early 1966, and of the imbalance between production and final demand that developed when fiscal and monetary brakes had to be applied to moderate that speed.

2. *The resurgence in economic activity during the second half of this year, which we foresaw in January, is clearly on the horizon today.*—There is no longer a significant risk that the inventory adjustment might culminate in a severe and prolonged slowdown, and there is mounting evidence of growing strength in many areas of the economy.