fiscal affairs a little better than they are, this would have a real impact on our exports and imports, would it not?

Mr. ACKLEY. Surely the price increases in Western Europe and Japan have well exceeded ours for a number of years, and this is a most important factor in our expectation that we can secure a basic balance in our foreign accounts. We are determined to continue that superior performance, and I think there is every prospect that we will do so.

Representative CURTIS. I wish I could share your optimism. Thank you.

Chairman PROXMIRE. We will convene tomorrow morning at 10 o'clock and hear Tilford C. Gaines, vice president of the First National Bank of Chicago; George Katona, professor of economics and psychology at the Institute for Social Research, the University of Michigan; Louis J. Paradiso, Associate Director, Office of Business Economics, Department of Commerce; and Michael Sumichrast, director of economics, National Association of Home Builders.

The committee stands recessed until tomorrow morning at 10 o'clock.

(Whereupon, at 12:45 p.m., the committee recessed, to reconvene at 10 a.m., Wednesday, June 28, 1967.)

(The following letter was sent by Senator Proxmire to Chairman Ackley after the close of the hearings:)

JULY 10, 1967.

Hon. GARDNER ACKLEY,
Chairman, Council of Economic Advisers,
Executive Office Building,
Washington, D.C.

DEAR MR. CHAIRMAN: This is with reference to your testimony of June 27 before the Joint Economic Committee. I would like to add the following question, and your response thereto, to the record:

Mr. Ackley, I am struck by a comparison of price movements in the first half of the current year as compared with the first half of last year. In the period December 1965 through May 1966, the Consumer Price Index moved up 1.4 percent. In the period December 1966 through May 1967, the Index moved up 0.8 percent. The lower rate of increase might lead one to the superficial conclusion that weakened demand this year accounts for the more modest price rise. However, when we exclude food, which is responsive to its own particular cycles, the Index has moved up at a rate of 1.2 percent in the last six months as compared with 1.1 percent in the first six months of last year.

I would like to have your assessment of the principal factors underlying the price movements in both periods. I would also appreciate your explanation of the fact that all items, less food, have moved up at a slightly faster rate this year than they have in the same period last year in spite of a weakening of general demand.

With best wishes.

Sincerely,

WILLIAM PROXMIRE, *Chairman.*
Joint Economic Committee.

(Chairman Ackley's subsequent response follows:)

Washington, July 17, 1967.

Hon. WILLIAM PROXMIRE,
Chairman, Joint Economic Committee,
New Senate Office Building, Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of July 10, relating to my testimony of June 27 before the Joint Economic Committee.