

**OPENING STATEMENT OF HON. JACOB K. JAVITS, A U.S. SENATOR
FROM THE STATE OF NEW YORK, ON BEHALF OF THE MINORITY**

Senator JAVITS. Thank you very much, Mr. Chairman. I make this statement on behalf of the minority members of the Joint Economic Committee in place of Congressman Curtis, who under our practice is this time the ranking minority member, and who today must necessarily be at the Ways and Means Committee meeting.

In the coming year the economy must walk a tightrope to avoid falling into a recession, on the one side, or more serious inflation on the other. This precarious balancing act has been precipitated by the administration's day-to-day policymaking by expediency in 1966.

Through fancy fiscal and budgetary footwork, the administration last year made it appear that it was working to slow down the steep climb in consumer prices and restrain the excessive growth in aggregate demand. It speeded up tax collections, rescinded excise tax cuts, sold \$3.9 billion of participation certificates, made unusually large profits on seigniorage, suspended the investment tax credit and accelerated depreciation on buildings and promised substantial cuts in spending which have never been documented. All these devices were employed to obscure the Government's inflationary impact on the economy. As if this were not enough, the administration's military spending estimates were based on the untenable assumption that the Vietnam war would end this summer. The result was a \$10 billion underestimate in defense spending.

With restraint lacking on the fiscal side, either from genuine spending cuts or a modest tax increase early in the year, monetary policy necessarily was drawn in to fill the vacuum. The tight money policy followed by the Federal Reserve was accentuated by the administration's own policy of accelerating tax payments and selling participation certificates.

The results of the administration's overall economic policy were predictable. The boom rolled on, prices increased sharply, the economy suffered from the highest interest rates in 40 years, a near financial panic occurred in the late summer, the residential construction industry fell into recession and the trade surplus shrank dramatically.

The imbalances that the administration's unbalanced policies built into the economy last year are likely to be more damaging and more general this year. The outlook now is for inflationary pressures from the cost side, a rash of serious labor disputes, a marked slowing, or possibly a downturn, in business activity, the danger of an increase in unemployment, some worsening in the balance of payments, and aggravation of the cost-price squeeze on agriculture.

Neither in its budget nor its economic message does the administration demonstrate that it is prepared to meet the challenges arising from its mismanagement of policy last year. Can the administration demonstrate that it has improved its forecasting techniques, or the reliability of its budgetary estimates or the coordination of policy between the Pentagon and the economic policymakers? We are asked to believe that the administration's policy prescriptions for the coming year are designed with precision to save the economy from the Scylla of inflation and the Charybdis of recession. As a matter of fact, it looks as though we may be heading for both at the same time.