THE 1967 ECONOMIC REPORT OF THE PRESIDENT

FRIDAY, FEBRUARY 3, 1967

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

The joint committee met at 10 a.m., pursuant to recess, in room S-228, the Capitol, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senators Proxmire, Symington, Ribicoff, Jordan of Idaho, and Percy; and Representatives Reuss, Griffiths, Curtis, Rumsfeld, and Brock.

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

Chairman PROXMIRE. The Joint Economic Committee will come to order.

I want to announce that, unfortunately, I will not be able to be here all through this. I am going to have to depart and then come back. I will be gone for only 20 or 25 minutes, I hope. We have a potential Federal judge from Wisconsin who is being considered by the Senate Judiciary Committee at 10:30 in the New Senate Office Building, so I will depart and testify for him. Whenever I am through at the Judiciary Committee I will be coming back, meanwhile the hearing will be in the much more capable hands of Congressman Reuss.

Today, we open the second session of our hearing on the President's annual report.

It is most fitting that we hear at this time from the Director of the Bureau of the Budget and his associates.

The Federal expenditures equal about 21 percent of the gross national product on the national income account basis, and the manner in which the public money is spent as well as the place where it is spent has great effect on the allocation of resources on our economy.

Moreover, we know what the income and outgo of Federal funds does. It acts as balance wheel on our economy and can act either as a stabilizing or destabilizing force.

As I stressed yesterday the apparently unanticipated $10 billion increment in the cost of the Vietnam war contributed strongly to the inflationary pressure that forced up prices during the year. And the fact that it was unanticipated, in my judgment, was the reason why it contributed so greatly to inflation. If it had been anticipated we could have had compensating fiscal policy of a tax increase or other spending cuts that would make a difference.

As we look ahead, it seems very likely that the economy will be poised on a knife edge during the coming year and the budget obviously will play a crucial role in maintaining stability.