

As I commented last week to the House Ways and Means Committee, the administration, including the Secretary of the Treasury, was in accord with the repeatedly stated policy of the official Republican spokesmen on tax and fiscal matters in refraining from requesting any income tax increases in calendar 1966, while urging that we hold down increases in appropriations and expenditures in fiscal 1967 as well as 1966.

The President espoused that same position in 1966 on many public and private occasions. During the spring and summer he met a number of times with the leaders of the Senate and House from both parties on holding down nondefense appropriations to the overall totals in his budget and whether or not an income tax increase proposal would gain congressional approval. He was told an equal number of times that there was little support for an income tax increase and that a recommendation would be defeated by an overwhelming margin.

Therefore, I find myself in the unusual position of having to defend the elements of fiscal policy followed and espoused by the Republican and Democratic leadership and a Democratic administration from the attack by one—and now I understand this is from the entire side of the committee—now speaking for the minority party.

Finally, Senators Javits' statement is in grave error in asserting that "monetary policy necessarily was drawn in to fill a vacuum" that existed early in the year.

The fact is, as everybody knows, that the country had been committed initially to a monetary policy of restraint involving tight money and higher interest rates by action of the Federal Reserve System early in December 1965. As I stated before this committee last year, it became the role of fiscal policy to shift to a course of moderate restraint following the steps already taken by the monetary authority, without risking economic overkill.

Looking ahead to the debate this spring on the President's surcharge proposals, let me underscore a vital point. There is a great deal of economic difference between advocating increased income taxes to pay the increased costs of war (*a*) when monetary policy is on the path toward ease, as it is this year, and (*b*) when monetary policy is moving in the direction of clear, positive, and increasing restraint, as it was last year.

There is a fundamental consistency in the position of those concerned with maintaining full employment and growth in refusing to advocate income tax increases when monetary policy is highly restrained and increasing income taxes to pay for increased costs of war when monetary policy is moving toward ease.

Mr. Chairman, I would like to submit the remainder of the statement for the record.

Chairman PROXMIRE. You may do so.

(Remainder of supplementary statement appears beginning p. 160.)

Mr. FOWLER. The remainder of the statement deals with a comment on a current bit of folklore that the U.S. Government and the President and the Congress and the leadership of both parties made a mistake in not raising taxes early in 1966. It is not a matter that I want to take up any further time with. I did want to submit this statement for the record. I want to show the particulars in which that position is wrong. I wanted to point to the analysis of some of the