

This is no more true than is the usual easy explanation of a complicated course of events. But I do not want to be understood by this as saying that this allegation is even partly correct. It is not. It is wrong, as I shall show you here.

It is wrong first of all because it begins by ignoring the fact that we did raise taxes by legislative action early in 1966—to the tune of \$6 billion.

It is wrong in the second place because this criticism means that it was a mistake not to impose a broad, blunt, general income-tax increase on individuals and corporations at that time. In this respect let me just point out:

Few of our critics, if any, were themselves convinced a year ago that a general income tax was needed, or, if they were convinced of it, they were not saying so in public, and

The condition of the economy early last year—as indeed the condition of the economy throughout the year—was a condition of *selective* excesses—together with selective softnesses—calling for the careful use of *selective* constraints. That is exactly what we used, in the Tax Adjustment Act in the winter, and under the President's anti-inflation message in September, including a specific new program for additional cuts in Federal expenditures in this fiscal year.

Third and most important of all, the assertion that it was a mistake on the administration's part not to propose a general tax depressant early last year is clearly and evidently wrong—as I shall be demonstrating—for the reason that some softnesses were already apparent in the economy at that time. These soft spots suggested to us—as they should have suggested to our critics, especially to some of the prominent economic analysts who took issue with us—that a general tax increase a year ago would very likely have resulted in a private economy that was softer in late 1966 and early 1967 than the current one which is now a concern to many of these same analysts.

This is now getting belated recognition. It was acknowledged in an article on January 17, 1967, in the Wall Street Journal, a paper that often disagrees with the Government's economic policies. This stated, among other things:

A question raised by many commentators after President Johnson proposed a 6 percent income-tax surcharge was whether such a levy might not bring on a recession in business.

Actually, the time to ask this question—as few then did—was early last year, when tax-increase proposals were already being made by analysts outside the Government.

At that time * * * signs that the rate of business activity might turn down were not lacking, although they were being given little attention.

The two clearest signs were declines in bond prices and in stock prices * * *. Such joint action is typical of the tops of booms.

Thus, it could be argued, as few analysts did, that if a tax increase were imposed it might aggravate a business downturn which, although not yet present, already seemed possible if not probable. The correctness of this analysis has since been confirmed, at least to the extent that a recession has occurred in much of the private sector even without a tax increase.

The author went on to point to declines, all but one of them as early as last spring, in automobile production, housing, commercial and industrial construction, appliance manufacturing, and steelmaking. He