

Total industrial production declined in September, as the production of nondurable goods eased together with the decline in housing and commercial construction. Production slipped at least 1 month during the quarter in such industries as primary metals, fabricated metal products, machinery, and lumber and wood productions. Steel production for the quarter averaged 6½ percent less than that for the second quarter.

Wholesale prices of all commodities registered no change from August to September following a rise of 0.4 percent in August. Wholesale prices of industrial commodities, exclusive of farm and foods, remained unchanged throughout the 3 months of the quarter.

*Fourth quarter GNP* also rose sharply, although some evidence emerged of strains and imbalances.

Industrial production fell in November, largely due to declining production of durable goods. Primary metals production continued the slide initiated in the previous quarter and lumber and wood products remained below previous quarter levels due to the continued sagging in construction activities.

Retail sales declined in October largely due to reduced sales at durable goods stores. November sales were a bit higher but December again registered a decline, after seasonal adjustment.

Surveys of planned plant and equipment expenditures indicated a smaller increase than in previous quarters.

Among production declines registered during the fourth quarter were steel production, auto production, wholesale prices, new orders for durable goods, and prices of industrial materials.

I do not think that anyone disposed to look with reason upon this record would attempt to maintain that the administration's fiscal policy in 1966 was mistaken.

I think, on the contrary that the administration's economic policy as a whole in 1966, including our prudent use of selective fiscal tools as supplementary to general and severe monetary restraint, brought the economy through a trying time of transition and uncertainties with minimum damage, and—what the prudent man is always supposed to achieve—with minimum risk of damage at all times.

This was not accident. We changed directions early and consciously, trying at all times to keep the economy in balance despite radical changes in the forces affecting it and despite uncertainties such as the always unpredictable course and costs of war. Let me, if I may, cite some of the voluminous evidence available to anyone who wants to get the facts indicating that we were in touch with reality, and that we bent our sail quickly and selectively to winds bearing down upon the national well-being.

First: President Johnson went to the Congress with a budget, and with a tax program at the outset of the year that shifted administration policy from stimulus to moderate and selective economic restraint. This was at a time when those who now say our policy was mistaken, had little or nothing to suggest.

The President continued and increased the pressure he had been exerting for years upon Federal spending.

The Tax Adjustment Act of 1966, sent to the Congress in January and signed into law in March, together with other measures, used