appraised this spring in the context of an economy long removed from the monetary stringency of last year.

(The material which follows is placed in the record at this point at the request of Representative Widnall. See p. 187.)

[Minority Views, excerpted from 1966 Report of the Joint Economic Committee, March 17, 1966*]

INTRODUCTION AND SUMMARY

The administration's economic program exposes the American people to the twin dangers of serious inflation this year followed by a recession in 1967.

Recent increases in both consumer and wholesale prices—the largest in many years—demonstrate that inflation already is a fact of life. There is no excuse for further delaying needed action.

The administration admits that inflation is a serious threat, but stubbornly refuses to concede that effective anti-inflationary action is needed now. It promises to act sometime in the future should the situation require. But what evidence or degree of inflation is needed to trigger action by the administration? Must the country first experience price increases comparable to the early years of the Korean war?

The administration claims that its economic program, including a disguised form of price and wage controls, is adequate to hold down the cost of living. The fact is that the budget for the current fiscal year as revised in the January budget message is highly expansionary, while the 1967 budget is contrived to give the appearance of restraint but actually continues on the stimulative side.

The 1966 economic reports of the President and the Council of Economic Advisers are remarkable for their facile dismissal of mounting evidence of price pressures from both the cost and demand sides. The administration refuses to admit the full extent to which it has used illegal powers to restrain price increases and continues to express unwarranted confidence that the system of wage-price guidelines—a leaky dike at best—can hold back the tide of inflation without the exercise of restraint by Government itself.

CONSISTENT UNDERESTIMATES

In the past the administration has consistently underestimated the costs of the Vietnam war as well as the underlying strength and composition of demand in the private economy. Today it underestimates the pressures that will develop from increases in capital spending, a shrinking supply of skilled and experienced manpower, near capacity operation of plant and equipment facilities and rising unit labor costs.

The administration has in effect denied the presence of inflationary pressures by—

—sharply increasing both spending and new obligational authority in the current fiscal year;
—seriously underestimating budget expenditures for fiscal 1967;
—covering up planned increases in 1967 expenditures by sales of Government financial assets that will have little effect in curbing overall demand;
—proposing revenue adjustments that largely affect the timing of tax payments and which, by their very nature, will do little or nothing to curb inflationary pressures;
—continuing its critical attitude toward the Federal Reserve Board for its timely move toward monetary restraint last December and virtually ignoring the impact of debt management in complicating the task of monetary policy;
—insisting the Nation is still enjoying a peacetime expansion when it has, in effect, moved into a wartime economy.

While the administration heats up the economy, it asks the private sector to hold the line and does little itself to effectively attack structural imbalances in labor skills and productive capacity. To enforce "responsible restraint" by management and labor, it engages in implicit or explicit price and wage fixing and other forms of harmful interference with the functioning of our economic system. This policy of economic interventionism will sap private initiative and inventiveness, impair efficiency and retard the Nation's long-term rate of growth.

*H. Rept. No. 1334. Report of the Joint Economic Committee on the January 1966 Economic Report of the President, pp. 31–52.