we in the administration felt was the appropriate policy, and during the spring and summer, as I have indicated we did go to great effort to try to hold down increases in both authorizations and appropriations that would give rise to this thrust for increased expenditures. Indeed, in response to this policy, the President came forward in September, as you recall, and pledged himself to identifying and locating to the extent of $3 billion reduced expenditures on the nondefense side. The particulars of that program have been given by Budget Director Schultze to the House Ways and Means Committee in hearings last week. So I find no difference in our attitude and your attitude as expressed on that particular score a year ago.

Now with reference to housing being made the goat, this was pointed out by the President on December 7, 1965, when monetary action took the lead. As to the administration standing by and watching it idly, that is just not the fact.

On the week following that action by the Federal Reserve Board, I convened a meeting of the Coordinating Committee on Bank Regulation in an effort to find ways and means of dealing with this new situation that would minimize the drift of funds away from the savings institutions and the mutual savings banks. You and I worked together to get the so-called interest rate escalation legislation enacted. We were in hearings on that I think as early as May of last year.

But all during the spring period, you will find there were, and I will be glad to detail them for you, very determined efforts on the part of the Treasury Department and other agencies of Government to arrest what to us was a very serious situation in the housing industry.

Representative WIDNALL. By the administration's own admission, interest rates were dangerously high last year. Isn't the fact that monetary policy was necessarily tight evidence that this policy did not do an adequate job in restraining the economy?

Secretary FOWLER. The evidence, it seems to me, is clearly that there were certain selective areas in the economy that were in a boom condition. One of them was defense expenditures, and I don't know how you avoid that, if you are going to properly finance and carry forward a war.

The other was the so-called capital goods boom. The President in March, through voluntary means, convened those men that are responsible for the great bulk of plant and equipment expenditures in the country, and pleaded with them collectively to do everything they could to scale down their expenditures during this particular period. He got excellent response, I know personally, from a number of them.

But despite the responses of individual companies here and there, the sum-total effort was not sufficient. We did have to come forward with the proposal to suspend the investment credit in order to ease the pressure of this boom—which it really was, in terms of excessive demands for money. It was a question of stockpiling money and credit for all known and contingent needs. We did take fiscal action. We took selective fiscal action to deal with selective prices, and we imposed selective restraints.

I still do not think that during 1966, in addition to the general steps that were taken, there was need for a general income tax increase. I thought it would have been a dangerous thing to do at that time and I also think so in retrospect.