told us, "Take 90 days to think it over and watch the economy, it is not all that hot."

The most persuasive argument on behalf of the minority statement is the fact that interest rates last year reached their highest levels in 40 years, and that the economy was threatened with a serious financial crisis in late summer of 1966. The tightness of monetary policy last year was dramatic proof that fiscal policy did not adequately restrain the economy, whatever the Secretary or other administration spokesmen may now claim.

The Federal Reserve in December 1965 raised the discount rate—2 months later than it wished to do so—after becoming convinced that the administration was not pursuing, and had no intention of pursuing, a sufficiently restrictive fiscal policy. Subsequent events bore out that judgment.

To be sure, the administration did take some restraining actions, but they were not adequate to cool down the booming economy and moderate the excessive demand for credit throughout the year. Interest rates rose in response to market forces which could have been restrained only by an appropriate fiscal policy. Had the Federal Reserve supplied adequate reserves to meet the extraordinary demand for funds without an increase in the level of interest rates, prices would have gone through the roof. Even with a tight money policy, price increases were sharp and—as stated by the administration—we have not yet seen the end of the inflationary road.

Secretary Fowler chides the minority for being Monday morning quarterbacks on the question of advising a tax increase for 1966. The record shows that the minority members of the Joint Economic Committee, last March, unanimously said that the administration's fiscal policy was not adequately restraining and that monetary policy would have to carry too heavy a burden. We said that reductions in nonessential Federal expenditures would be preferable to a tax increase, but we clearly said a tax increase would be necessary in the absence of genuine expenditure restraint.

Expenditure restraint was not forthcoming. 1967 administrative budget expenditures are now estimated to be $14 billion higher than the estimate made by the administration in January 1966.

Nor was the minority alone in calling for further fiscal restraint during the year. Walter W. Heller, former Chairman of the Council of Economic Advisers and the architect of the "New Economics," said repeatedly that a tax increase was needed. That recommendation was echoed by Arthur F. Burns, Chairman of the Council under President Eisenhower, and Otto Eckstein of President Kennedy's Council of Economic Advisers. A number of eminent witnesses who appeared before the Joint Economic Committee at its annual hearings last year said that restraint in the administration's fiscal program was more apparent than real. Chairman Ackley of the Council of Economic Advisers, told this committee just last Thursday that the question of a tax increase in 1966 was "a close question" throughout the year.

It is beyond my comprehension how the Secretary can now say fiscal policy was perfect last year when all the signs point the other way. Does he mean to suggest that the high level of interest rates was a plot by the Federal Reserve and had nothing to do with underlying