THE 1967 ECONOMIC REPORT OF THE PRESIDENT

THURSDAY, FEBRUARY 9, 1967

CONGRESS OF THE UNITED STATES,
JOINT ECONOMIC COMMITTEE,
Washington, D.C.

The joint committee met at 10:05 a.m., pursuant to recess, in room S-228, the Capitol, Hon. William Proxmire (chairman of the joint committee) presiding.

Present: Senators Proxmire, Talmadge, Symington, Miller, and Javits; and Representatives Bolling, Reuss, Griffiths, Moorhead, Curtis, Widnall, Rumsfeld, and Brock.

Also present: John R. Stark, executive director, James W. Knowles, director of research, and Donald A. Webster, minority economist.

Chairman PROXMIRE. The committee will come to order.

Our witness this morning is the very able Chairman of the Federal Reserve Board, who is an old friend of the committee and a man who has been sitting on the hottest economic policy seat in Government for the last year or so.

You are welcome here this morning, Chairman Martin. Go right ahead.

STATEMENT OF HON. WILLIAM McCHESNEY MARTIN, JR., CHAIRMAN, BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM; ACCOMPANIED BY DANIEL H. BRILL, SENIOR ADVISER TO THE BOARD AND DIRECTOR, DIVISION OF RESEARCH AND STATISTICS; AND ROBERT SOLOMON, ADVISER TO THE BOARD AND DIRECTOR, DIVISION OF INTERNATIONAL FINANCE

Mr. MARTIN. Senator, may I start by congratulating you in assuming the chairmanship of the Joint Economic Committee, and assure you that the Federal Reserve System wants to do everything in its power to help the committee in pursuing its work.

Chairman PROXMIRE. Thank you very much.

Mr. MARTIN. Monetary policy is unique among the economic tools available to Government in the promptness and flexibility with which it can be adapted to changing economic circumstances. This capacity for prompt, flexible adaptation has been essential over the past year and a half—and it has been amply demonstrated. Within this short period, monetary policy had first to play a major role in moderating an excessively rapid expansion that was generating strong upward price pressures. And when—within the year—the pace of expansion was brought into better balance with the growth in resources, financial