the Director of the Budget or the President, and I regret that very much. It was not a happy position to be in. If we had had agreement, we probably would have done it 3 months earlier.

Representative RUMSFELD. My time is up. I simply would like to join the other members who have commented on the fine job you are doing, Mr. Chairman.

Chairman PROXMIRE. Mr. Brock?

Representative BROCK. Mr. Martin, it is nice to see you again, sir.

Mr. MARTIN. Thank you.

Representative BROCK. I am part of a large crowd of your fans on the hill that are sometimes not quite as vocal as the other side.

I would like to talk just in general terms with you about the economy itself. I know we have seen statements by the administration that they feel that the budget and the tax program indicate a restrained approach, a very fine balance between the possibility of inflation and the possibility of recession.

I think the concern that I feel, Mr. Chairman, is the possibility that exists for both occurring at the same time. I don't think this is economically impossible. I think you can have inflation and recession, particularly under a wartime situation such as we have in Vietnam. I am concerned that this economy may be something like a sponge in that you have certain defense related industries going up to full production or perhaps somewhat in excess of that, and certain nondefense related industries such as the credit sensitive industries—housing and so forth—remaining in a very depressed state.

Is this a danger for us? Do you see it as a potential for 1967, or do you agree primarily with the administration that we can hope for the best of all worlds and a pretty good balance this year?

Mr. MARTIN. I am inclined to agree with the administration analysis here, and hope that the last half of 1967 will see us straightening out these things. But you raise a very real point, and it is one that worries me.

We know that we can get some demand-pull and cost-push inflation very quickly. This goes back again to my earlier comment with respect to the war in Vietnam. I find wartime pressures, regardless of how small the war may be in relation to gross national product, very unfortunate in terms of their impact on various segments of the economy, and the imbalances that arise as a result.

Representative BROCK. Isn't it a fairly logical development that war should be a smaller percentage as our GNP has grown so tremendously, and also as we have shifted more from a manufacturing-base economy to a greater emphasis upon services, which would not be directly related to war expenditures in any sense of the word.

Mr. MARTIN. That is correct.

Representative BROCK. We can't really equate apples and oranges. This isn't the same economy that we had in 1951, 1952, and 1953.

Mr. MARTIN. That is right.

Representative BROCK. Is it your opinion, as it is mine, that we have virtually come to the point where the inflation problem we face is more of a cost-push type than demand-pull? You mentioned your concern with inventory accumulation and I have the same concern. Certainly if you have excess inventories, you don't have a demand-pull inflation, but yet we did see an increase in prices. There still is not