stimulus—in the face of existing deficits and a rising economy—were under attack; not so much in this committee, as in the country.

Today's policy debates, though often sharp and heated, proceed in the reassuring environment of growing public understanding and bipartisan recognition—to which as I said a moment ago this committee has contributed so much—growing public understanding, and bipartisan recognition:

First, that the Federal Government can and should manage its tax, budget, and monetary policies so as to keep total demand pretty much in step with the economy's rising potential—and I suppose I should add that that, after all, isn't much more than the Employment Act of 1946 requires;

Second, that, as a result, the economy will operate considerably closer to its potential and be much less prone to recession in the future than in the past; and

Third, that this can and will be accomplished without danger to individual freedom of economic choice.

I observe that a stock market that rises as the economy softens—and spurts whenever peace threatens to break out—seems to reflect this underlying confidence.

But to say that there is growing agreement on basic principles is not to gainsay that the job of applying them is far tougher in today's economy—precariously perched on the knife edge of full employment, a term just used by the chairman—than it was 4 years ago when the $30 billion production gap gave us far wider margins for error. Nor have I noticed any lack of controversial grist for the committee's mill in these hearings. Vexed and vexing questions still abound, for example:

(*a*) Are this year's economic forecasts right as to level and pattern?

(*b*) Can economic policy be made flexible enough to deal with mistakes and surprises?

(*c*) Are budget forecasts—or even hindcasts—credible or incredible?

(*d*) Should taxes be raised or budgets be cut?

(*e*) How far can we go in trading easier monetary policy for tougher fiscal policy in the face of balance-of-payments deficits?

(*f*) When should the temporary suspended investment tax stimulants be restored?

(*g*) Where should official wage-price policy go from here?

In the following comments, I address myself to several of these questions—and the committee will probably address me to the rest.

## Uncertainty and Flexibility

The administration's economic policies for 1967 seem highly responsive—both in overall budget impact and in the proposed fiscal-monetary mix—to the needs of the economy as they can be discerned at this time. And they are equally responsive to the need for maintaining flexibility—of keeping open our economic policy options as we try to keep the economy on the narrow road of full employment in the face of such crosswinds as—

—some slowdown in the advances of the private sector, while those in the public sector continue unabated;

—reversal of the downtrend in housing during the year coupled with a slowdown in expansion of plant and equipment;