in high places. There was no lack of public conditioning to a possible tax increase—indeed, various polls show there is evidence that a substantial majority of the people expected a tax increase.

I am not saying the polls showed they wanted it, but they expected it.

But the situation was plagued with uncertainties as to the demands of the war in Vietnam, the economic responses of consumers and business, and the resiliency of the economy in dealing with these pressures. So, even had the President been able to live by economics alone—which, of course, he can never do—he would not have had an open and shut answer: among his official and unofficial advisers on economic matters, the ranks of the "do-it-now" hawks were infiltrated by a substantial number of "wait-and-see" doves.

And a final quote:

Having viewed at close hand the Presidential dilemma in Kennedy's summer of fiscal discontent in 1962, when the economy plainly needed a tax cut but political reality barred the way, I am not disposed toward a harsh judgment on the 1966 decision. I count on our growing economic maturity to keep on lowering the political barriers to sound economic decisions.

May I add that, both in terms of 1966 and for the future, standby powers under which the President, subject to congressional veto, can activate precooked temporary tax increases and decreases become all the more important if we are to get a proper balance between the call to action and the forces of inertia.

BUDGET POLICY

Let me return for a moment to the overall impact of Federal fiscal policy in 1967–68 as measured by the surplus or deficit in the NIA budget. Let me add to my earlier word of commendation on the use of the NIA budget the further thought that it was particularly courageous to bring it to the fore at a time when it is in substantial deficit at full employment. Courage, no doubt, arose out of the conviction—one I share—that the pattern of a deficit this year turning into balance next year is appropriate to the most probable pattern of economic developments.

In particular, the propriety of a full-employment deficit in the NIA budget this year seems to be supported by the saving-investment balance in the U.S. economy. Private saving at full employment is generally estimated at some 15½ to 16 percent of GNP in our U.S. economy. Normally, net private investment, or dis-saving, can be expected to match or exceed this slightly, permitting, and indeed requiring, all levels of government combined to run a balanced full-employment budget or surplus (saving). But this "normal" amount of private investment is subject to variation, particularly in response to monetary policy and to cyclical factors affecting the motivations to invest. This year, the strength of private investment is expected to be below normal:

The continued high level of business fixed investment will be more than offset by low levels of residential construction activity—even with the upturn during the year—by reduced rates of inventory accumulation, and a somewhat below-average trade surplus.

All told, these private investment components are likely to total only 15 to 15½ percent of the GNP this year, falling short of absorbing all of private saving.

Further, State and local governments have been running unusual surpluses. The economic lesson for an appropriately flexible fiscal