lems have occurred, in some industries, and I would expect more as the date January 1, 1968, approaches.

For example, the American Railway Car Institute suggests that as a result of the survey of their membership, that orders of cars from independent car producers this year will be about 3,600, compared to 70,000 last year, and incidentally I want to take this opportunity to amend my prepared statement. I have stated 2,448 against 70,000. It should be 3,600 against 70,000.

Now the President has proposed a 6-percent surcharge, despite indications of either a recession or a leveling tendency in the economy. If we look at the evidence, I think it is clear that, at the moment, the early leading indicators are weak. The leading indicators have been weak for months. The money supply has been declining. It has not declined yet as long as it usually declines prior to a recession, but then we can't be sure that the decline is over.

Individual sectors are weak. Consumers are not disposed to spend. Housing has been weak, but recently has risen moderately. Plant and equipment spending may be peaking out. Profit margins are under squeeze. New orders are beginning to slip. Operating rates are declining, and of course the additional complications of the investment credit.

Furthermore, inventories are clearly a problem.

The Government sector seems to me to be the only one sector that is going to be rising sharply, if we can believe the budget. There is clearly a tug between the public and private sectors, and whether we have a recession or a leveling tendency is going to depend mightily on what happens to economic policies in the next few months.

While recognizing the stubborn and persistent monetary fiscal errors of the past 1¾ years for what they are, what should be done now?

In my opinion a prudent shortrun policy would consist of the following:

1. Promptly restore monetary growth to about 3 percent a year, so that a serious recession can be avoided and economic growth restored. We must not be misled into thinking that monetary policy is now easy, because interest rates have declined and free reserves have risen. Based on past experience, we cannot expect a resumption in the growth in private spending until monetary growth is restored.

2. Promptly rescind the investment-credit suspension. Considerable damage has been done, and more is in store as January 1, 1968, is approached. Extended discussion about the possibility of rescinding the suspension will compound difficulties by encouraging order deferrals.

3. Avoid a tax increase because of its adverse effects upon private expectations, but at the same time apply unusual restraint on Government expenditures. All men of good will share the objectives of the Great Society, of increasing opportunities and alleviating poverty, but there is ample room for objecting to methods. Greater reliance upon the initiative and resources of the private economy might well get better results at lower cost to the Government.

At a minimum, Government programs should be carefully evaluated in terms of results rather than objectives before additional funds are authorized. Higher taxes are neither a necessary nor a desirable means of getting an easier monetary policy. Under present circumstances, the economy needs moderate stimulus, not restraint.