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 more 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 opportunity and alleviating poverty. But there is ample room for objection to methods. Greater reliance upon the initiative and resources of the private economy might well get better results at lower cost to 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. (4) Continue to de-emphasize the wage-price guidelines and permit the machinery of private collective bargaining to work. Income policies have been attempted in all major European countries with notable failure as is occurring in the U.S. at the present time. Wage-price guidelines are no substitute for stabilizing monetary-fiscal policies. The arithmetic of the guidelines is impeccable but the economics is fallacious. Not only do wage-price guidelines or income policies fail to achieve stated objectives since they attack symptoms rather than causes, but they do positive harm by disrupting markets and misallocating resources. An activist economic policy incorporating wage-price guidelines appears politically attractive since it apparently places the Administration on the side of prudence and points the finger of irresponsibility at private parties. But wide-ranging evidence indicates the policy is destined to failure and will remain disruptive if continued. The recent move by the Council of Economic Advisers to disclaim a specific figure for wage increases was in the right direction but not far enough.

Looking at the somewhat longer run, how can policymakers use their limited tested knowledge and demonstrated technical abilities to assure better economic performance? It is my view that policies should not be frequently adjusted for fine economic tuning. Despite laudable objectives, the results of such actions are likely to be destabilizing. Continued empirical research may eventually expand our knowledge to the point where "fine tuning" of the economy with flexible monetary-fiscal policies will be possible. In the meantime let us play the more cautious and prudent role of avoiding destabilizing action while providing moderate increases in total spending in line with the growth in the capacity of the economy to produce. A stable growth in the money supply of about 3% per year similar to the 1960–April 1965 period accompanied by a Federal budget designed to attain approximate balance at full employment is probably the best we can do at present. In conclusion, the gross mistakes in economic policymaking and execution of the recent past have convinced me that until our knowledge is substantially improved, an activist monetary-fiscal policy is quite likely to destabilize an inherently stable economy, especially once full employment has been achieved. In other words, a little knowledge can be a dangerous thing when ambitiously applied to economic affairs.