

tion of changed responsibilities. And talk about international cooperation measures, prolonged in consultation and in esoteric official discussion during times of high employment and growth, can lull official thinking into ignoring that the current drift of policy merely hands surplus countries, through gains in official reserves and in short-term dollar claims, further bargaining power over future U.S. domestic economic policy. These vital long-run questions of economic policy are neglected in the Council's report.

CONCLUSION

In summary, the Economic Report of the President and the Council's 1967 Annual Report appear to have overstated the prospects for the economic outlook this year and to have understated the year's stresses and strains. This casts doubt on the policy proposals for economic stability. These policy proposals, such as the 6-percent surcharge, rest implicitly on an estimate that the second half will be stronger, made in the face of a probable slower rise in defense orders this year than last, weakened auto and other durable sales, an emerging squeeze on profits from rising unit labor costs combined with slower sales, and the impact on investment of these developments and the continued suspension of the invention tax credit. Under these circumstances, the Congress should exercise great caution in evaluating the fiscal stability arguments for a tax increase in the light of current economic trends and forthcoming developments.

At the same time, the Federal budget for fiscal 1968 of \$169 billion on national income account has risen from \$91 billion in fiscal year 1960. "Its dominating feature," in the words of the *London Economist* (Jan. 28, 1967, p. 325), "is quite simply its tremendous growth and not only because of the war," a growth that in the past 3 years has amounted to \$50 billion, "of which just under half is accounted for by the war in Vietnam," and that has resulted in a rise of Federal spending as a share of a rapidly growing GNP. This huge budgetary growth has led the Senate majority leader, Senator Mansfield, to call for a reexamination and reevaluation this year of major recent programs, in the hope that, quite apart from issues of aggregate employment and output, the effectiveness of resource allocation can be strengthened by consolidation and economy in the Federal Government.

The chamber of commerce federation respectfully recommends Senator Mansfield's views to this committee and the Congress.

Chairman PROXMIRE. I thank all of you gentlemen for a fine series of papers. Let me see if I can find out if we have universal agreement from these diverse groups on a few things.

As I understand it, all three of you agree that we should not, on the basis of the present economic situation, increase taxes in May or June of this year. We shouldn't have the 6-percent surtax increase the President has proposed to begin July 1; is that your view Mr. Sprinkel?

Mr. SPRINKEL. That is correct.

Chairman PROXMIRE. Dr. Madden?

Mr. MADDEN. That is correct.

Mr. GOLDFINGER. That is not precisely my view, sir. I don't know what the economic situation will look like in May and June when you