Is it not also true that each one of you gentlemen sees certain soft spots in the economic situation today which you believe should be of concern to this committee? I think that is inherent in all of your testimony. Have I misquoted anybody?

Mr. SPRINKEL. Sir, not only that, but softer than any time since the recession of 60–61.

Representative REUSS. Having pointed out that second area of agreement, let me pass on to a third. I think that each of you believes that in the period ahead, monetary policy, and the creation of the money supply should not be as extremely restrictive as it was for most of last year.

Mr. MADDEN. Indeed.

Mr. SPRINKEL. Yes, sir.

Representative REUSS. I hear assents and see nods of agreement on that.

Mr. GOLDFINGER. I would go a little further, sir. I think that the Joint Economic Committee could well get into the entire issue of monetary policy along the lines which Dr. Sprinkel indicated and which I briefly indicated in my paper—and that is the danger of an aggregate monetary policy which depresses one sector of the economy, as happened last year, when residential construction was knocked in the head by the blunt instrument of monetary policy.

Also there are some problems in terms of the structure of capital markets. There is the need for greater selectivity in the use of monetary policy. Furthermore, you gentlemen know my views on the composition, structure, and so-called independence of the Federal Reserve System, which I also think needs to be modified and changed considerably.

Representative REUSS. I think then there is an area of agreement which we have defined here on these three major points, and something like a great consensus established.

Now with my instinct for the underdog, let me make the administration's case for the tax increase to you, and ask you to comment on it. I will start with Mr. Sprinkel. It is said in behalf of the administration's position that it is necessary to pick up about $5 billion worth of additional revenue in the year starting next July 1, because unless you do that, even though sound monetary policy such as you all three have agreed you want are followed, if you have Uncle Sam coming in for an extra $5 billion of borrowing, this will tend to vitiate the easier money thus obtained.

This seems to me to be a point that has to be considered, and I don't believe, Mr. Sprinkel, it was in the list of pros for the administration's position that you gave. Would you comment on that position?

Mr. SPRINKEL. Yes, two aspects of the one; they have this year laid out in some detail how they visualize the trend in the economy. Namely, it is going to stall some in the first half of the year, we will liquidate some inventories, but by the middle of the year this will be over and we can then have the 6-percent surcharge accompanied by an increase in social security payments, and then by the latter part of the year the economy will be going strong and we can then afford to slug the economy with a sizable increase in social security taxes. That is at least the way I see their layout for the year.

I don't think they can see that clearly. I can't see that clearly. The trends point in the opposite direction at this moment. But let's