price-wage review. If in any individual case it were not, if a corporation simply refused to produce the data which would permit an informed judgment of its price proposals or current price levels, the administering agency would make this refusal known to the public, which would be able to draw its own conclusions as to the reason for such refusal.

Advantages are obvious

Either system would have obvious advantages over the guidepost approach. It would meet the problem raised by the President's Labor-Management Committee, that "it is impractical if not impossible to translate the goals reflected in the guideposts into formulae for application to every particular price or wage decision." It would permit, instead, a case-by-case approach in which recommendations would be based on the particular facts of each case, and would permit the application of the "subtleties, sophistication, experience, wisdom and responsibility" which, as the Secretary of Labor pointed out in these hearings, are required in making intelligent wage and price decisions.

The procedure would have one other far-reaching benefit insofar as it applied to situations arising out of union bargaining demands. It would go far to restore public confidence in the democratic process of collective bargaining—a confidence that is too often shaken when negotiations are broken by a damaging strike over issues which the public does not clearly understand, or when they end in a settlement that is then denounced as inflationary. In both situations, the public's only information may come through the conflicting claims and arguments of the two parties, with no opportunity to get at the real facts. Given the facts people would be able to pass rational judgment on the actions of both sides—and the knowledge of that would lead to more responsible actions at the bargaining table.

The advantage of this procedure is that it can stabilize prices without the necessity of imposing any form of governmental control. Price and wage actions would still be voluntary; they would be based on the free decisions of free men in a free society. But the privilege of being a free man in a free society is accompanied by the responsibility of making decisions that are compatible with the well-being of society. In the area of prices and wages, the price-wage review procedure would enable an informed public opinion to bring a persuasive influence to bear on those who might otherwise be prepared to disregard their responsibilities in the service of their personal or corporate interests.

Full employment, inflation and taxes

The Administration has proposed an increase in personal and corporate income taxes to take effect July 1, 1967. The arguments for and against this proposal deserve serious and responsible consideration on their merits; for it arises out of a complex background that presents difficult problems. No one can predict with certainty the precise course of economic activity in the months ahead; yet it is the state of the economy that will determine whether or not it will be advisable to raise taxes. It is our judgment, however, that current weaknesses in the economy could be compounded by a tax increase, causing increased unemployment, an unnecessary slowing down of the economy and, quite possibly, a budget deficit larger than would result if there were no tax increase.

The proposal to increase taxes has evoked a barrage of criticism of the Administration's tax policies past and present. On the one hand, the Administration is attacked for not having raised taxes last year. On the oher hand, it is urged not to increase taxes this year but to curtail government spending for civilian purposes. Determination of a sound fiscal course for 1967 requires sober examination of these criticisms and of the pertinent facts in the light of the goals of the Employment Act.

The argument that taxes should have been raised last year ignores the fact that the rise in total demand during 1966 was significantly restrained by a variety of tax actions. Payroll taxes were increased, some excise taxes were restored, graduated withholding was introduced, corporate tax payments were accelerated, and the investment tax credit was suspended. Had fiscal policy in 1966 been more restrictive, one of the greatest economic and social gains of the year, the reduction of unemployment to 3.9 percent from 4.6 percent in 1965, would not have been achieved. In fact, as Secretary Fowler testified in these hearings, additional fiscal restraint would "have involved the risk of a recession in 1966 or early 1967." Higher taxes undoubtedly would have aggravated the many weaknesses that began to appear in the economy during 1966 despite the sharp increases in government spending arising out of the Vietnam War—