

Summary of recommendations

Based on the foregoing analysis of the current economic situation we make the following recommendations for economic policy in 1967:

1. Congress should enact no general increase in personal and corporate income taxes in 1967. The economy will have to adjust to other changes in trend this year, and the additional burden of a tax increase should not be placed on it. Such an increase would validate the undesirably-rapid growth of non-defense spending of recent years and permit its continuance.

2. Congress should start on a program to restrain the growth in federal spending which has been occurring. Even if the whole job can't be done in 1967, a move can be started in that direction. It can take the form of stretching out some programs without necessarily abandoning them.

3. Congress should restore the investment credit and accelerated depreciation provisions of the tax law as promptly as possible. This should not be regarded as a tax cut since these provisions have been accepted as a normal and natural feature of the tax system.

4. Congress should not attempt to assume a formal role, prescribed by statute, in the establishment or enforcement of wage-price guideposts. The Joint Economic Committee should of course continue to have the privilege of reporting its views in that subject area to Congress.

Table 1.—National defense outlays, as reported in various ways in the budget for fiscal 1968

[Billions of dollars]

	Fiscal 1966 actual	Fiscal 1967 estimated	Fiscal 1968 estimated
(1) Administrative budget expenditures—national defense.....	\$57.7	\$70.2	\$75.5
(2) Cash payments to the public—national defense.....	58.5	71.3	76.8
(3) Federal expenditures, NIA—national defense.....	56.5	68.3	74.1
(4) New obligational authority—national defense.....	67.4	75.1	77.9
(5) Obligations incurred, net—Department of Defense, military.....	61.8	73.5	74.8

Source: Transcribed from "The Budget of the U.S. Government—Fiscal year ending June 30, 1968" as follows: (1) Table 1, p. 41; (2) table 2, p. 42; (3) table 3, p. 43; (4) table 4, p. 44; and (5) table 9, p. 50.

TABLE 2.—Trends in profit margins compared with unemployment rates

	Aftertax profits of manufac- turers cor- porations as percent of sales	Unemploy- ment rate (percent)
1954.....	4.5	5.6
1955.....	5.4	4.4
1956.....	5.3	4.2
1957.....	4.8	4.3
1958.....	4.2	6.8
1959.....	4.8	5.5
1960.....	4.4	5.6
1961.....	4.3	6.7
1962.....	4.5	5.6
1963.....	4.7	5.7
1964.....	5.2	5.2
1965.....	5.6	4.6
1966.....	5.6	3.9

¹ Average of first three quarters.

Source: Federal Trade Commission and Security and Exchange Commission, U.S. Department of Labor.