I would like to ask unanimous consent that a letter by Seymour Harris in the Washington Post pertaining to our hearings, and our monetary policy especially, be included in the record at this point.

(The letter referred to follows:)

A Communication[1]

(The author of the following letter is Chairman of the Department of Economics of the University of California at San Diego, and a former adviser to President Kennedy.)

IN CALENDAR YEAR 1966 the Government did not introduce a general tax increase. But it was concerned over the large military outlays and inflationary pressures. Hence early in the year the government acknowledged that the stimulation of the economy as required in 1961-65 was no longer necessary. By removing $9 billion from the economy in early 1966 through new taxes and acceleration of collection of some taxes; and in addition through the later suspension of the Investment Credit, the Government showed it was aware of the need of restraint.

In the first quarter of 1966 a number of outstanding economists urged the Government to introduce a general income tax rise as an anti-inflationary move. In January, Walter Heller suggested a temporary tax increase. At a Chamber of Commerce meeting of February 9, Paul Samuelson proposed a tax increase as well as other anti-inflationary measures. In conversations with the press afterwards he still seemed hesitant, however. Arthur Burns also expressed disapproval of anti-inflationary polices; but did not at this time suggest a general tax increase. In February the Chase Manhattan Bank and the New York Reserve Bank, though critical of anti-inflationary policy, did not propose an anti-inflationary tax increase. The emphasis of the more conservative elements was a reduction of spending or a more restrictive monetary policy rather than a rise of taxes.

IN A LATE FEBRUARY 1966 column, Hobart Rowen of The Washington Post welcomed Samuelson into the tax-rise camp, but complained of the silence of the others of the New Economics school. Soon after the New York Reserve Bank jumped aboard the tax rise caravan. By March the Executive Director of the American Bankers Association joined the tax brigade. By March 9, 1966, Murray Rossant of the New York Times welcomed as supporters of additional taxes, Heller, Samuelson, and Tobin, three of the top economists in the country and as knowledgeable in this area as any economist. But the orthodox business economists still tended to favor spending cuts rather than tax rises. Burns was now ready to accept a tax increase as well as push for reduced spending.

In March Rowen questioned 30 economists. Twenty-two urged a general tax rise. The New York Times also joined in the clamor for a tax rise. In May, 40 percent of the economists questioned approved a general tax rise; by late November only 12 out of 52 (23%) were for a tax increase.

Apparently March was the peak month of acceptance to tax policy as an anti-inflationary weapon. Now Heller would only get ready for a tax increase if needed; and Samuelson was worried that a very strong deflationary policy would be a mistake. Burns, Cary Brown, Buchanan and R. A. Gordon, however, still supported tax increases. Business Week still favored a tax rise as the best of three alternatives. And on March 22, Senator Jacob Javits would raise taxes modestly.

IN APRIL, the bankers who spoke out still seemed to be for tax increases and Samuelson in late April still adhered to the tax-anti-inflation view.

But defections were beginning at this time. Leading indicators increasingly began to point downwards. The Times reported on April 27 that the economists were turning against tax policy as an anti-inflationary weapon. The Administration had waited too long. Samuelson still supported a tax rise in late May but seemed to be wavering. Rowen now (April 27) reported that only some liberal economists were for tax increases, whereas labor, business and politicians were now opposed. It is of some interest that none of the Treasury's panel of 25 outstanding economists at their June meeting with the Secretary urged a rise of taxes. Apparently the signs of economic deterioration and the political

[1] Reprinted from Washington Post, Feb. 19, 1967.