COMMITTEE FOR ECONOMIC DEVELOPMENT

(BY EMILIO G. COLLADO, CHAIRMAN, RESEARCH AND POLICY COMMITTEE)

We appreciate this opportunity to present the views of the Committee for Economic Development on the Economic Report of the President and the annual report of the Council of Economic Advisers. We regard this annual review as important, and we have, I believe, an uninterrupted record of annual statements to the Joint Economic Committee since the review was established.

The 1967 Economic Report of the President and the annual report of the Council of Economic Advisers which accompanies it constitute a very helpful description and analysis of the economic problems before the country today. These reports present in condensed, readable form an enormous amount of factual information and a wealth of instructive argument relating to economic policy. They are valuable contributions to professional and public understanding of economic issues.

The report of the Council discusses several disturbing aspects of the present state of the economy as well as its performance in the past year. I find myself in agreement with many of the views expressed. The Council is rightly concerned with the future course of price stability and with the maintenance of high employment. Indeed, I interpret this year's report as dealing in major part with the need to construct once again the conditions which were so important to the prolonged period of price stability which marked the early parts of the present expansion. To be specific, we agree entirely with the following assessment made in the report (p. 72).

> The public sensed what every economist knows—that a reasonably stable price level is essential if balanced prosperity and full employment are to be continued at home and if the strength of the dollar is to be maintained abroad. Experience proves that rising prices can generate distortions that can eventually topple an economy from boom to recession. Experience also shows that rapidly rising prices can quickly erode a country's competitive position in international markets. The critical economic problem to be solved in the year ahead is that of maintaining income growth and full utilization of resources without becoming trapped in an inflationary price-wage spiral.

I share with the Council a concern for the possible resumption of the cost push inflation of the 1955–57 period, especially in the light of the reduced rate of gain in productivity compared with that of recent years and the increased pace of wage and other cost increases. These disturbing developments add emphasis to our own and the Council's views on general monetary and fiscal measures of restraint.

STABILIZATION POLICIES—1966 AND 1967

The Council's report interprets the stabilization policies pursued in 1966 as appropriate and adequate to the problems which arose. In