

and thus the Council grossly underestimates the gap as of 1958. We have never returned to the 1947-53 growth rate trend line. The Council's estimate of no gap in 1966 is grossly erroneous for reasons which I have already stated.

The combination of the estimated fiscal 1968 budget deficit and the proposal for the 6 percent across-the-board tax increase, even allowing for some loosening of monetary policy, will not provide enough net stimulus to the economy in terms of the considerations which are set forth above. My position is indeed reinforced by the fact that the Council views with equanimity and even positive approval its estimated growth rate of about 4 percent, with full-time unemployment estimated at 3.9 percent for 1967 as a whole.

*Council's erroneous position on fiscal-monetary "mix"*

The Council's recognition that the combination of fiscal and monetary policies have operated to produce many imbalances in relative trends during 1966 is very belated recognition of the disequilibrium which I have long insisted would result from the unwholesome nature of the fiscal monetary measures. Further, the Council's analysis at this point is much too limited, in that it does not deal with the fundamental issue of the relationship between investment in the plant and equipment which add to our productivity capabilities and the demand for ultimate products in the form of consumer outlays and public outlays combined. The Council's recognition that proposed policies will hold the growth in consumer outlays and in disposable personal income in 1967 somewhat below the gains in 1966 is in my view a confession of the wrongful diagnosis of our needs and the consequent inadequacies in actual and proposed national economic policies.

The Council's very tardy (and still insufficient) recognition that monetary policy has operated irrationally, in term of its relative impact upon different parts of the economy, comports with what I have been saying for many years. But the adverse impact upon residential construction is not the only gross defect in the prevalent monetary policy. It prevents adequacy of credit on reasonable terms for many parts of the economy which are moving too slowly and which receive deficient incomes by all fair tests, while it does little to restrain the excesses in other sectors of the economy which are not nearly so dependent upon credit, if dependent upon it at all. Rising interest rates during the past ten years have redistributed far more than 100 billion dollars of income from those who have too little to those who should not receive this form of income supplementation.

The prevalent idea of a new product "mix," in which fiscal policy is tightened and money policy loosened, is in my view the ultimate in confusion. When the economy is too slack, as is now the case, both policies should be liberalized; when the economy is too tight, both policies should be tightened. This is the proper way to have each policy carry part of the load. If there are two horses to pull a wagon, the proper method is not to hitch them up to opposite ends of the wagon and have them pull in opposite directions. The real problem, thus far neglected, is that both fiscal policies and monetary policies should be much more selective in their impact, and should serve to improve equilibrium by restraining some parts of the economy and stimulating others. The excessively aggregative approach of the Council neglects this whole problem, and results from the Council's failure