

excesses in some sectors and the deficiencies in other sectors which I have already pointed out.

My chart 9, also more relevant now than earlier in the light of additional experience, shows how the 1964 personal tax cuts were inequitable and reduced the progressive nature of the Federal tax system, thus being unsound on economic grounds and indefensible on social grounds.

My chart 10 illustrates that the unfortunate trends in Federal tax policy are doubly unfortunate when viewed in the broader perspective of the regressive and inequitable nature of the entire nationwide tax burden, taking into account taxes of all types paid at all levels of government.

My chart 11 reinforces the foregoing analysis by depicting the maldistribution of income in the United States as of 1965. It also shows that, in some respects, the maldistribution was worse in 1965 than in 1947.

My chart 12 shows how the errors in fiscal policy have been compounded by the sins in the prevalent monetary policy. The chart shows that, during 1955-66 (going back to 1952 would further confirm the picture), the average annual growth rate of only 2.1 percent in the nonfederally held money supply was totally inadequate to support optimum economic growth. It also shows the direct impact of the periodic very sharp contractions in the growth rate of the money supply upon the GNP growth rate. Exceptionally noteworthy is the only 1.8-percent growth in the money supply during 1965-66, which in itself indicates that the prevalent monetary policy bears a major responsibility for the very sharp contraction in the U.S. economic growth rate from first to fourth quarters 1966 and on into 1967, as discussed above.

CHAPTER II. PRICES AND WAGES IN 1966

The whole discussion in this chapter of the Council's report, despite the display of statistics, strikes me as surprisingly shallow and lacking in analytical discernment. The Council's discussion does not even raise most of the questions which ought to be raised and also answered.

Deficiencies in Council's entire price analysis

The Council says that the recent advance in prices was due in large measure to the acceleration of the growth in demand which began in mid-1965, and to the particularly rapid increase in the output of capital goods and defense products. But price-trend analysis needs to be set in a very much longer-time perspective to be really meaningful. For example, how does the Council's explanation of the recent price changes square with the very serious price inflation during 1955-58, when the U.S. economy was afflicted by stagnation and recession?

Further, the sharp rise in industrial prices in many administered price sectors might possibly be explained, but cannot be justified, by high or rising demand relative to productive capabilities. Why should administered price be raised, when profits even at existing prices are soaring in consequence of higher demand and excessive profit margins per unit?