just as anxious as you are to see programs that deal with the important problems of our cities, and so forth. I would associate myself with what Al said. I am anxious to see employment high and strong growth. I think the only difference in view is that I think the whole record since mid-1965 shows we have temporized on this matter of using fiscal restraint——

Chairman PROXMIRE. Since what year?

Mr. O'LEARY. Since mid-1965. I think we have temporized in using fiscal restraint, and I think the risk is that unless we take some action here it is going to be just the same old question of a year from now saying we missed the boat on it. And I think we ought to have prompt action on the surcharge. I think the risks are not that we are going to turn the economy down so strongly, but if we do not have it the risks are greater in other areas. From the point of view of labor and job opportunities, the thing that worries me is that the course we have been on has built-in dislocations and structural problems in the economy which, in the end, I think, could be harder on labor than would be the case if we corrected them. One of the things we talked about here today—getting a better balance between the use of fiscal and monetary policy, getting some flexibility in the fiscal area is terribly important. I depart from my colleagues in a sense—I depart at least from one of them—I would be willing to take the program that President Kennedy announced of giving the executive branch some flexibility in setting tax rates. I think it is important that we get this flexibility. And, basically, I think this committee has felt that way over the years.

Chairman PROXMIRE. I do not want to prolong this hearing. I think you have made an excellent statement.

But, I think the trouble is that Congres is not going to do that. And, because of that—they are not going to repeal the surtax if they pass it. It is going to be allowed to run until the middle of 1969, and running, I am afraid, longer, with increasing unemployment. The prices are likely to continue to rise because we have planted a monetary bombshell.

I would like to conclude by putting in the record an excellent editorial from this morning's Washington Post entitled "War, Inflation, and Taxes." It cites a very fascinating precedent in the early 1950's, when we found that fiscal policy did not succeed at all in stemming inflation, and—because it was monetarily responsible for doing so.

(The editorial from the Washington Post referred to follows:)

[From the Washington Post, Feb. 21, 1968]

WAR, INFLATION AND TAXES

Last week a member of the Joint Economic Committee asked Chairman William McChesney Martin of the Federal Reserve Board whether "some new Government machinery or technique" is needed to check inflationary pressures. He replied that new machinery would be less necessary if taxes are raised, but added, "I think we're going to need it anyhow . . . we're in a wartime economy." A spokesman for the Federal Reserve Board later explained that Mr. Martin does not favor mandatory wage and price controls, and so there is little to be said for belaboring that point. But his statements about a "wartime economy" and the efficacy of fiscal measures merit some scrutiny.

What is a "wartime economy?" There are no standard definitions. But operationally the term denotes a situation in which a substantial proportion of a country's resources is diverted to military use, a situation in which productive capacity is fully utilized and in which excessive demand generates inflationary