It is important that proposals to impose these direct controls should not divert attention from the urgent need to adopt reinforcing policies of fiscal and monetary restraint. In retrospect, adoption of such restraint some time ago might have helped greatly to avoid our present situation. For the future, policies of domestic restraint may prove even more important than direct controls in providing a fundamental solution to our international-payments problem.

Conclusion

We believe that the problems of excessive demand, spiraling inflation and foreign payments difficulties represent a greater threat in 1968 than in many years. Effective solutions to these problems demand immediate attention by the Congress, by the administration, and by the monetary authorities. It is not a question of choosing among available approaches but rather of using spending reduction, increased taxation, credit restraint, and balance-of-payments measures in a combined effort to restrain the excessive demands and resulting inflation that our economy now faces.

While these solutions are not easily accepted by many, they are preferable to the alternatives of spiraling inflation and a balance-of-payments crisis. Unless early action can be taken, the Government could later be forced to consider controls over wages, prices and credit in a desperate attempt to correct intolerable inflation.