COMMITTEE FOR ECONOMIC DEVELOPMENT

By Emilio G. Collado, Chairman, Research and Policy Committee

We appreciate the opportunity to present to the Joint Economic Committee 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. These reports provide a valuable description and analysis of many of the opportunities and problems facing the United States today and in the years ahead.

Our comments today are centered around four issues.

The first concerns fiscal policy, where we believe that fiscal restraint is necessary now. We support the President's tax proposals, which would represent the major element of restraint, but in addition believe that further expenditure reductions would be desirable. We shall attempt to state the case for a stabilizing budget policy as forcibly as we can.

The next issue concerns the evident failure to give adequate attention to a longer run program for Federal expenditures and taxes designed to meet both our existing and emerging needs. Each new fiscal problem brings forth a hastily introduced program designed to meet the problem of the day without any apparent relationship to a long-run program or strategy. We now have several forms of voluntary and direct controls over various forms of economic activity. We shall draw attention to these controls and suggest how an appropriate long-run fiscal strategy could avert their becoming permanent fixtures of Government policy.

The third question concerns the current inflationary pressures which, we believe, present a serious threat to economic stability and efficiency both at home and abroad. We agree with the Council's view that, while both cost-push and demand-pull elements are present in the current situation, prompt fiscal action would brake the rising spiral of wages and prices. We fear, however, that the administration still places far too much reliance on voluntary wage and price restraint as a means of dampening inflationary pressures.

Finally, there is the President's emergency program for dealing with the deterioration in the balance-of-payments position of the United States. The President's measures and proposals represent a continuation of the piecemeal approach to solving the balance-of-payments problem, an approach which has led the Government to rely principally on measures designed to reduce the flow of U.S. private capital abroad. These short-term expedients are clearly not in our long-run interests, nor is it clear that we are more prepared today than we have been for the past 5 years to embark on more basic, long-term solutions.

In what follows, our positions on these four issues will be more fully developed.