

cities, but the social consequences will not be the same. As was said earlier, this country has got its priorities out of order. It is time we put them right.

PRIORITIES REQUIRE SELECTIVE MEASURES

Priorities in themselves are not enough. They are nothing more than expressions of good intentions if they are unaccompanied by effective tools to assure that priority needs do, in fact, exert priority claims upon resources. The aggregative fiscal and monetary policies of the new economics obviously are not the refined tools required to channel resources toward fulfillment of our priority purposes. Seven years of experience with the new economics has proved that a government applying the aggregative approach can determine how much is produced. But aggregative policies rely on the blind forces of the marketplace to determine what is produced, for what purpose, and by whom it is used. Those forces have not served us well. Our national affluence is misallocated, and that misallocation is reflected in, among other things, the discontents, anxieties, frustrations and social tensions that pervade our society, and the persistence of poverty, the spread of environmental pollution, and the condition of our cities.

Our national priorities can be made meaningful and given practical effect only through development and use of a kit of selective economic tools adequate to shape the composition and distribution of demand and thereby of production. Monetary and fiscal measures need not be used as blunt instruments. They can be applied selectively and they can be supplemented by other types of measures to guard the health and stability of the economy and to assure that priority needs will be met before demands of lesser urgency.

Our government has not hesitated to apply selective monetary and fiscal policies for certain purposes. Consumer credit controls, which restrict spending by low- but not by high-income families, provide an example of a selective monetary measure which has been used. The investment tax credit is a selective fiscal measure designed to channel an increased flow of resources into business investment. The oil depletion allowance is not only a machine for making Texas millionaires but also a selective tax measure defended by those who benefit from it as necessary to channel resources into exploration and drilling for oil.

It is also true that there is a degree of selectivity in the effects of every fiscal and monetary action—even though often unintended and not infrequently in conflict with other objectives sought by government.

In the case of fiscal measures, the economic impact of government spending will be affected by what the Government buys, and the impact of taxation will be determined by who is taxed and what form the taxes take. A tight money policy is selective in that it has an impact on vulnerable industries such as housing and on the plans of State and local governments out of all proportion to its effect on, say, the plans of major corporations which are largely able to finance new investment from internal sources. What we have lacked, however, is a consistent policy designed to make deliberate use of selective fiscal and monetary measures so as to achieve predetermined goals based on a carefully-thought-out set of economic and social priorities.