

Without the surcharge, the increase in the deflator from the fourth quarter of 1967 to the fourth quarter of 1968 would be 3.1 percent—no greater than between the same quarters of 1966 and 1967.

THE RISKS

No one is in a position to say today which group of forecasters will turn out to have been most accurate when the final economic score for 1968 comes in. The members of the Council and of the Michigan and Wharton groups are all responsible, have reputations at stake, and must be presumed to have done their best.

But this committee and the Congress must act before the score is added up. The question this committee and the Congress must answer is: *Has the Council justified a gamble with the jobs of hundreds of thousands of workers, with the welfare of their families, with the tranquility of the Nation's cities, and with billions of dollars of potential GNP?*

The answer, in our opinion, is that the Council has not made a persuasive case for the surcharge—that recent and current developments in the economy as well as carefully prepared and soundly based forecasts by other reputable economists argue against the Council's position—and that it would be irresponsible to assume the risks that would be involved if the Council's advice were to be followed.

What of the risks on the other side? What if the Council should turn out to be correct that failure to enact the surcharge would lead to the generation of serious inflationary pressures? To these questions there are two answers. The first is that it is sounder to risk rising prices than to risk rising unemployment. The second is that, as will be shown, there are alternatives and better means than the surcharge to deal with the problem the Council anticipates, if that problem should materialize.

AN ALTERNATIVE APPROACH

In the statement submitted to this committee last year, we stressed that we were not opposed to tax increases as such but only to tax proposals that were designed to drain demand out of the economy and thereby to reduce employment opportunities while we were still far short of genuine full employment. We opposed cuts in total Government spending because they also would destroy employment opportunities and, in addition, would defer or prevent solution of urgent national problems. We emphasized that we would heartily support selective monetary and fiscal measures—including equitable tax increases—designed to reallocate resources so as to speed achievement of the Nation's high-priority social and economic goals. We pointed out also that selective measures can be used to minimize inflationary pressures and dangers, thus removing the inhibitions that stand in the way of an all-out drive toward full employment.

That is still our position. This year, the nature of the inflationary problem, as envisioned by the Council, argues all the more strongly for the application of selective measures rather than use of the blunt instrument of the surcharge advocated by the Council.

The Council's prognosis has been quoted above. What is foreseen is that, in the absence of the surcharge, rising consumer spending