been ignored by the demands of financing the war, and to insure that postwar readjustment is smooth and economic growth and stability continuous. Of course, the economic problems of farms and rural areas must also be attended to in any such plan for postwar reallocation of Federal resources.

Another important economic issue is Federal tax reform. We are gratified to hear that the new administration has placed this issue high on its agenda. The previous administration professed a dedication to tax reform that never materialized during its term in office. For too long, the Federal tax system has been looked upon as a device for economic stabilization, and the fact that the burden for this stabilization is not shared equitably has been ignored. We will want to know and carefully study what specific reforms the new administration intends to support to make our Nation's tax system more rational, equitable, and enforceable.

We also hope to hear representatives of the new administration address themselves to better coordination and implementation of fiscal and monetary policies. The great failure of economic policy in the 1960's was the delayed imposition of a substantial measure of real fiscal restraint. The inflationary predicament we face today is in great part due to the gross underestimation of the costs of the Vietnam war and the failure of the previous administration to face up to the unavoidable choice between guns and butter. The resulting fiscal stimulus of an already booming economy placed too much burden for restraint on monetary policy, which resulted in serious distortion of money and credit flows.

The ease in monetary policy after the enactment of the tax increase last year appears to have been another major economic policy mistake. The fear of fiscal overkill last year moved the Federal Reserve System to allow money and credit to expand at increased rates. Although the links between money and credit growth and economic activity are not entirely clear, it is fair to say that the failure of fiscal restraint to curb inflationary demand is due in no small part to mismanaged monetary policy. We will want to learn how the new administration proposes to better coordinate fiscal and monetary policies to achieve agreed-upon economic results.

Within the framework of a fiscal policy devoted to encouraging high employment without inflation, we will want to hear how the new administration intends to reorder priorities to meet pressing economic and social needs of the Nation. More specifically, how will this reordering be reflected in changes in the budget prepared and submitted by the previous administration?

In sum, the Congress and the Nation expect to learn how the new administration proposes to deal with the major economic problems inherited from the old administration. But while Government must show the way to economic stability and increased prosperity, it cannot achieve these goals by itself. This requires involvement of all sectors of the economy and a dedication to making sound economic policies and programs work.

We hope that these hearings will indicate the ways to improve our various economic policies and lead to the results which have thus far proved so elusive.

Thank you, Mr. Chairman.