appreciation of the importance of economic policy in the United States is attributable in no small part to the efforts of this committee. I am pleased to join in your continuing discussion of this important subject.

Yesterday, the Chairman of the Council of Economic Advisers discussed with you the economic outlook for 1969. Tomorrow, the Secretary of the Treasury will discuss various aspects of economic policy. My testimony covers the budget outlook, an outlook which is now undergoing a thorough review; so it cannot today be as precisely defined as you and I might like.

We have learned much about how to conduct economic policy since the passage of the Employment Act of 1946. But the basic lesson, which led to adoption of the act, remains the same. Balanced economic growth at a pace consistent with optimum utilization of our resources does not just happen. We cannot merely wish away inflationary pressures, the rise in interest rates, or our balance of international payments problem. Nor will wishing lead to a healthy rate of economic growth and job creation. Our fiscal, monetary and other policies, working in harmony, must actively support basic economic objectives—while respecting and preserving the individual freedoms that are so essential to our economic progress.

For fiscal policy, this means that we should aim to provide restraint by achieving surpluses in the Federal budget in both the current and the coming fiscal year. Recognizing that action was required, this administration moved immediately to support the type of fiscal policy that emphasizes restraint—recognizing the need for both extension of the income tax surcharge and a diligent effort to reduce outlays.

In letters sent to the heads of executive departments and agencies almost 4 weeks ago, I stated the philosophy underlying this policy:

> In view of the critical role of fiscal policy restraint in today's inflationary economic outlook and our continuing heavy financial requirements for military operations in Southeast Asia, we—like our predecessors—must now plan for—
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> extension of the income tax surcharge beyond its July 1, 1969, expiration date, and
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> a budget surplus for 1969 and 1970.
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> However, a prime objective of our administration is the removal or the tax surcharge as soon as economic conditions and defense needs will permit.

At the President's request, I also asked each agency head to make an intensive review of the budgetary consequences of all Federal programs under his jurisdiction. This review is now underway.

The review of the budget is urgent. This administration is now considering ways of reshaping the Government's programs in light of its own policies. We do not merely intend to pile new programs on top of old ones. We must, therefore, be in a position to achieve reductions or even elimination of lower priority programs. This will entail careful program evaluation on our part. We must examine the costs and the benefits of Government programs for only then will we have the data on which to make wise priority decisions. With the cooperation of the Congress, we hope to provide room—some in 1970, but particularly in the 1971 and later budgets—to introduce our own initiatives and proposals to meet the challenges of a constantly changing economy. Unless we act prudently now, our ability to move in these new directions will be severely limited by existing program and financial commitments.