But, of course, there is no reason why alternative methods could not be used. But I think that this easing of monetary policy later in 1969 concurrent with retaining the surcharge is quite a reasonable step and is not a strongly inflationary step, provided we get the slowdown that we are expecting in the next 6 months.

One other point in this connection is relevant, and that is that in all these considerations of economic policy I think it is much more sensible to consider a balanced policy and not pin everything on a surcharge, everything on tax policy or everything on monetary policy or everything on expenditure policy because when you have extreme moves of policy in one area there tend to be loopholes and distortions in the economy. It is much better to spread it around, and I think this is the reason why more instruments of policy should be sought after than are being considered at the moment.

Representative BROCK. Is there any other comment? My time has expired.

Chairman PATMAN. Senator Proxmire?

Senator PROXMIRE. I don't want to ask you questions on this but, first, I want to say I am surprised that none of you gentlemen seem to assume there is going to be any change in expenditure policy. You seem to make the assumption the surtax is based on a fixed given level of spending and that, therefore, whether we should have it or not depends on what happens in the economy and not what happens in expenditure policy. But it may be you can't cover everything.

I think these are helpful papers. It is so good to get the specification of precisely what you expect in various areas, and to have you pinpoint it by giving us the quantitative numbers. This is most useful because these general predictions—of course, it is easy to hedge and to make a prediction that can mean anything.

But having said that, I would like to say, I just wonder if this modern version of looking at the entrails of birds is really worth very much?

I don't see any crystal balls on your table but I just wonder if we have advanced very much in that kind of thing.

I say that because what I am referring to is a publication by Fels and Henshaw with which you may be familiar, put out by the National Bureau of Economic Research, it is part of a larger paper which questions the validity of short-term business forecasting, and this is pretty much what you are doing here.

Mr. Fels takes a series of publications and he says this:

> In my study—the eight principal publications in my study—one month before troughs and three months after peaks on the average was what they were able to determine.

In other words, they are able to tell the turndown 3 months after it occurred on the average. They weren't able to forecast it but 3 months after it occurred.

I wonder—if we were sitting here in 1929—and you gentlemen were asked to predict, if you would be likely to do what I suppose so many economists did then; that is, to state that the GNP is going to go up. Actually, it went down 30 years ago; by $20 billion, 10 percent.

In 1933 the tendency, I suppose, was to say it would go down. It went up. And in 1937 the temptation would be to say it was going to go up. It went down.