COMMUNICATIONS WORKERS OF AMERICA

In both the statements of President Johnson's Council of Economic Advisers and the new Council for President Nixon, there are references to the necessity, under the existing economic circumstances, for *qualitative* adjustments in fiscal and monetary policies for 1969. In both statements there is a preoccupation with the problem of stifling inflationary pressures in the presence of persistence of some continuing troublesome residue of unemployment. This is expressed in an oft-repeated caution that it may be impossible to have full employment without some inflation. The policy considerations are concerned with the possibility that this problem is increasingly qualitative in nature, and that "doses" of ant-*in*flationary or anti-*de*flationary fiscal and monetary policy are not quite suitable as the remedy. The apparent requirement is alternatively expressed as a "fine mix" or "fine tuning."

As has been the case with the development of general fiscal-monetary policy, direction for the more refined problem must be looked for in the behavior of the economy. The lessons simply are a little more difficult to work out. The behavior of the economy in the last 2 years does appear to offer, however, some viable possibilities if they are carefully examined.

A central characteristic of the behavior of the economy over the last 2 years, despite inflationary pressuers and the pressures of the Veitnam war, has been a certain basic balance. Consumer expenditures have been an important expansionary force in the economy for the last 3 years, although slightly less so in 1967. In 1968, consumer expenditures rose by $42 billion, while the increases in the previous 3 years had been in the neighborhood of $32 billion, although only $25 billion in 1967. More importantly, however, as a percentage of disposable income, while consumer expenditures had declined for the preceding 4 years from 92.7 percent to 90.1 percent in 1967, they returned to 90.6 percent in 1968. Savings, on the other hand, which reached an unusual peak of 7.4 percent in 1967—in spite of some inflation—from 6.4 percent in 1966, held to 6.9 percent in 1968. Included in the increase in consumer expenditures was a strong $10 billion increase in durable goods purchases.

By contrast, business investment declined slightly as a proportion of the total national product, and business fixed investment declined by approximately the same amount in contrast to its usual tendency to rise in an expansionary year.

The main point is that investment, which used to be regarded as the prime mover in the economy and has been regarded as a primary target for monetary and fiscal policy, may new be less the volatile lever among economic variables in the economy. It is expected, as a matter of fact, that the first half of 1969 will see a strong *resurgence* of business fixed investment on the basis of the experience in 1968.

24-833—69—pt. 4——3