which already have become almost too numerous to count and too complex to harmonize.

CEA views on fiscal policy

The current CEA report reaches the conclusion that fiscal policy on the whole during the past 8 years has been both wise and effective, and that "most of the shortcomings of the period were errors of omission rather than commission" (p. 77). It then makes clear that most of the errors of omission were due to tardiness, and could be cured in part by better forecasting, but in the main by conferring upon the President the discretionary power to make certain kinds of tax changes (see discussion pp. 78–85).

The conclusions which I have set forth above are very diffierent.

A revealing portion of the CEA discussion says: "The experience of 1961–65 demonstrated that an effective fiscal policy to stimulate the economy could be carried out without adding unnecessarily to the size of the Federal budget. Since the aims of stabilization be implemented either through tax changes or expenditure changes, decisions regarding Federal expenditures can be properly based on the desired allocation of resources between the public and private sectors" (pp. 77–78).

My objections are as follows: The period 1961–65 is too short to make a full evaluation of fiscal policies during the past 8 years; the actual policies during that period fell far short, for reasons which I have already stated, and while a proper principle is stated for the desired allocation of resources between the private and public sectors, such allocation was not undertaken, and such allocation is of profound significance with respect to economic equilibrium as well as with respect to social equilibrium.

Even more broadly, the emphasis upon fiscal policy in this chapter and throughout the report ignores the fact that fiscal policy—and to a degree monetary policy—are but segments of a wide variety of national economic policies, including those related to social security, agriculture, housing, and international economic policy. There can be no sound and sufficiently comprehensive nor integrated development of economic and social policy for the Federal Government, as intended by the Employment Act, until these other profoundly important policies become as important portions of the economic report of the CEA report as fiscal policies have been to date. This process is also essential to the correction of fiscal policy itself.

A striking demonstration of this shortcoming is revealed by the fact that the treatment of agriculture is confined in the CEA report mainly to pages 115 to 116 thereof. Yet the problems of agriculture and other aspects of rural life are among the most urgent and important that we face.

V. The Problem of Inflation

Three main errors in approach to problem of inflation

The "new economists" and the CEA during the past 8 years have committed three serious errors in dealing with the problem of inflation: *First*, they have grossly exaggerated the problem in the United States, and gross exaggeration is always undesirable because it distorts the evolution and disturbs the balance of economic policies and programs; *second*, they have offered no serious analysis of whether the amount of