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Congressman Charles W. Whalen, Jr. (R-Ohio) today expressed strong misgivings about the recently-passed tax bill and cited analyses suggesting that a recession may result.

His concern centered on "the 'double blow' imposed upon the economy by the $10 billion tax increase and the accompanying $6 billion spending reduction," he said in a speech on the House floor.

"A selective $8 billion cut in less essential appropriations would have been more preferable," said Whalen, a former economics professor.

Instead the House was presented with "a Hobson's choice, that is, either no restraint at all (if one opposed the bill), or an economic overkill (if one supported the bill)," he said. He voted against the measure. Whalen said the bill's enactment came as the economy "already was deteriorating as a result of a restrictive monetary policy."

He said it created two additional depressants, reduced individual purchasing power, particularly for those on fixed incomes, and lower net profits. Lower profits will have the additional effect of reducing plant investment capabilities and discouraging plans to step up capital expenditures.

"The effect of these two suppressants will be magnified early in 1969," Whalen said. This will occur when taxpayers pay 'back taxes' resulting from the retroactive features of the bill and employers and employees pay higher social security taxes.

"Fiscal restraint very definitely is needed," he added.

But the tax package "will not stop the present cost-push inflationary spiral ...nor will it result in any immediate lowering of interest rates which have responded primarily to international influences."
REMARKS BY CONGRESSMAN CHARLES W. WHALEN, JR. ON THE IMPACT OF THE REVENUE AND EXPENDITURE CONTROL ACT OF 1968 ON THE ECONOMY

July 23, 1968
(On the Floor of the House of Representatives)

Mr. WHALEN. Mr. Speaker, there were many Members of the House, as well as eminent spokesmen in the Nation's academic, business and financial communities, who had strong reservations about the advisability of enacting the 10 percent surtax.

I shared this view and was among the minority voting against the Revenue and Expenditure Control Act.

My concern, then as now, centered on the "double blow" imposed upon the economy by the $10 billion tax increase and the accompanying $6 billion spending reduction.

The economy already was deteriorating as a result of a restrictive monetary policy. Approval of the tax measure created two further depressants:

First, a cut in spending and increased taxes, per se, will reduce individual purchasing power, especially among those many millions of Americans living on fixed incomes.

Second, lower net profits stemming from the tax increase not only will reduce corporate plant investment capabilities but will discourage plans to step up capital expenditures.

The effect of these two suppressants will be magnified early in 1969 when (A) taxpayers must pay "back taxes" resulting from the retroactive feature of the Revenue and Expenditure Control Act of 1968, and

(B) employers and employees must pay higher social security taxes.

These are the factors I cited in explaining my position preceding and during consideration of the bill.

Thus, the conclusion I reached was that the tax package will not stop the present cost-push inflationary spiral. Nor will it result in any immediate lowering of interest rates which have responded primarily to international influences.

Fiscal restraint very definitely is needed. However, on June 20, 1968, the House was presented with a Hobson's choice, that is, either no restraints at all (if one opposed the bill) or an economic overkill (if one supported the bill). I believe that "no medicine" or "fatal medicine" were not the only alternatives.

From an economic standpoint, a selective $8 billion cut in less essential appropriations would have been more preferable. Unfortunately, this choice was not open to the Members of this body.

Mr. Speaker, I would like to bring to the attention of my colleagues two other analyses of what the future holds for the economy. One is the "Industry Forecast,"
Mr. Levy flatly predicts:

"A recession will begin at about October, 1968."

He concludes:

"For the first time in United States history, government has gone out of its way to legislate a recession."

The second economic analysis appeared in today's editions of The Washington Post (Tuesday, July 23, 1968). Columnist Joseph R. Slevin notes:

"The U.S. economy is rapidly swinging from a rip-roaring boom to the brink of a recession...the recession threat is erupting many months ahead of schedule. A tough Federal Reserve System credit squeeze and the recently-enacted surtax are responsible."

Mr. Speaker, I herewith insert these two analyses in the Record:
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