

an important leading indicator, dropped more than 4 percent in June.

Utilization of manufacturing capacity fell slightly in the second quarter of this year from the first-quarter statistics. We are now operating at only 84.5 percent of capacity.

Mr. President, these are economic phenomena which deserve constant scrutiny. Prosperity is not automatic; economic effects derive from economic causes.

I ask unanimous consent that the article published in the Wall Street Journal of July 23 be printed in the RECORD.

There being no objection, the article was ordered to be printed in the RECORD, as follows:

END OF THE BOOM?—MANY ANALYSTS PREDICT EXPANSION OF ECONOMY FINALLY WILL HALT IN 1968—SOME SEE A RECESSION EARLY IN 1969—TAX BILL IS EXPECTED TO HAVE A MAJOR IMPACT—THE NEXT PRESIDENT'S KEY ROLE

(By Alfred L. Malabre, Jr.)

This is beginning to look like the year in which the country's record-smashing economic expansion will finally end.

That's the view of a broad range of business analysts interviewed in recent days. Most say that the expansion, which began in February 1961, is already slowing. It will grind to a dead halt by the end of the year, many economists predict. And some forecast an actual recession, probably a mild one, in the early months of 1969.

"By the fourth quarter of this year, I don't expect to see any real economic growth," says Don R. Conlan, a vice president of Chemical Bank New York Trust Co. "The dollar statistics will still be rising but only because of continuing inflation."

One insurance company official, who declines to be identified because "the firm wouldn't want to see this in print," predicts that business will enter a recession around the start of 1969. Its severity, he says, will depend greatly on who happens to be the next President.

"If he's a spender, the downturn should be short-lived, but there will be other problems later, like more inflation," the insurance man declares. "If the new President is more conservative, the recession will be somewhat more severe, but in the long run the economy will be a lot better off."

IMPACT OF FISCAL RESTRAINTS

Most analysts base their predictions of slowing business on the fact that the Congress has finally enacted the new "package" of fiscal restraints—the tax surcharge and the reduction in Federal spending. "The new fiscal measures portend a tremendous change in the Federal budget situation," says Avram Kisselgoff, chief economist of Allied Chemical Corp. The change involves about \$20 billion, from the \$25 billion budget deficit recorded in fiscal 1968 to a projected deficit of only some \$5 billion in the year ending next June 30.

Forecasts of a slowdown also reflect the view that business had been tapering off even before the new fiscal measures became effective this month. "The fiscal package should serve to reinforce a trend that was already becoming evident," says an economist at the National Bureau of Economic Research.

Alan Greenspan, president of Townsend-Greenspan & Co., a New York business consultant, offers a reasonably typical assessment of the overall economic outlook for the coming months. In the fourth quarter, Mr. Greenspan estimates, the country's gross national product, the broadest possible gauge of economic activity, will rise at an annual rate of some \$10 billion, at best, and "just about all of that will be simply higher prices, rather than real growth."

WANING INFLATION

This would represent a massive change from the recent record. In the April-through-June quarter, GNP increased at an annual rate of nearly \$20 billion, with price increases accounting for about half the rise. That sort of increase, comments William Butler, a Chase Manhattan Bank vice president, "was clearly unsustainable." The bank economist looks for a quarterly rise of about \$10 billion, on an annual basis, in both the third and fourth quarters, with "certainly less than half" of the increases reflecting real growth.

As the economic pace slows in coming months, most analysts forecast, inflationary pressures in the economy will doubtless abate. Mr. Conlan of Chemical Bank, for instance, predicts that the consumer price index, now climbing at an annual rate of about 4%, will be rising—after one more "burst of price pressure"—more slowly by year-end. By the second quarter of 1969, the official predicts, the price index will be increasing at perhaps 3% yearly.

While this would certainly represent an improvement, it would remain far above the 1.2% rate of inflation that prevailed in the early years of this decade. "There's an awful lot of momentum built into the sort of cost-push inflation we've been experiencing," comments George Cline Smith, executive vice president of Mackay-Shields Economics Inc., a New York consultant.

HIGHER UNEMPLOYMENT

The belief that price inflation will die hard prompts many analysts to conclude that America's balance-of-payments problem is far from cured. Worsening price inflation in the U.S., of course, has clearly contributed to the country's perennial dollar outflow. Most economists believe the outflow will continue at a worrisome rate as long as excessive inflation continues to weaken America's competitive stance in world markets. Mr. Smith of Mackay-Shields expresses a widely held view: "Our balance of payments is likely to remain severely out of joint."

On the labor front, most analysts foresee higher unemployment in the months ahead. Mr. Kisselgoff, for example, expects the nation's unemployment rate to rise about 4.5% by December and "possibly reach the 5% level during the first quarter" of 1969.

This would be appreciably above the 3.8% level of unemployment in June. But it would remain considerably less than the jobless rate in 1961, the first year of the current expansion. At that time, 6.7% of the labor force was unemployed, and unemployment remained above the 5% level until as recently as 1965. Among the reasons most analysts don't anticipate a sharper rise in joblessness as the expansion slows is the belief that companies, expecting at the worst only a mild recession, will be reluctant to let employees go.

This reluctance, however, could fast disappear if corporate profits begin to decline sharply. Few economists predict that this will happen, but some do anticipate a significant profit downturn. For example, Sam Nakagama, a vice president of Argus Research Corp., a New York investment research firm, estimates that before-tax profits may be running as much as 15% behind the 1968 pace by the second quarter of next year.

Such forecasts no doubt are among the factors affecting stock prices in recent days. Mr. Nakagama, typically, advises investors to follow a "conservative investment policy, with more pronounced emphasis on bonds and on stocks of companies that show real promise of resisting the profits contraction."

Among the few relatively bright spots in the outlook, many economists say, is the housing industry. At an annual rate of about 1.3 million units in recent months, home starts have been declining. But many economists say that the new fiscal restraints should enable the Federal Reserve Board to pursue a somewhat easier monetary policy in coming

months and that this, in turn, should make mortgage funds for home-building more readily available.

Most analysts, however, stress that Federal Reserve policy thus far shows little clear evidence of changing markedly from what has generally been categorized as a "firm" policy. Obviously, the precise degree by which business growth does slow in the months ahead will depend in part on what decisions are taken by the Fed.

There is general agreement among economists that some signs of a slowing expansion already are apparent. New factory orders for durable goods, a closely watched "leading indicator" of the general economic trend, declined 4.2% in June, after seasonal adjustment, from May. June's 3.8% unemployment rate is up from 3.5% in May. And the Federal Reserve estimates that U.S. manufacturers, on the average, used only 84.5% of their plant capacity during the second quarter, down slightly from the operating rate for the first three months of the year.

GNP in the second quarter rose nearly as much as in the first quarter. However, some analysts note that inventory building played a much larger role in the second-quarter rise. The second-quarter rate of inventory accumulation, in part reflecting hedge-buying of steel against a possible strike next month, was approximately four times the first-quarter rate. Consumer spending, at the same time, declined by more than 50% in the second quarter. As a result of the slowdown, consumer savings rose sharply. Some analysts believe these savings may serve to lessen—but certainly not eliminate—the impact of the tax increase on consumer spending in coming months.

file "DETENTE" IN SOVIET POLICY AND THE CRISIS IN CZECHOSLOVAKIA

Mr. MOSS, Mr. President, the press this morning announces that the leaders of the Soviet Union and Czechoslovakia are to meet today to discuss the liberalization program of the new government of Czechoslovakia. All of us fervently hope that accommodation and settlement will come from these talks. But in the past few weeks the press has been filled with alarming accounts of developments in this Soviet satellite.

This feeling of alarm arises from the threat of military intervention.

The world is concerned that the Soviets may repeat the role they played in Hungary during 1956 when they crushed militarily the peaceful Hungarian revolution.

There is a fear of the possibility that Czechoslovakia may become another Hungary.

The danger is great in Czechoslovakia. It is real. It is immediate. We would deceive ourselves were we to close our eyes to the awful possibility that Soviet military forces might roll into Czechoslovakia full force, destroy the nascent elements of freedom in the country, and revert to the old patterns of rule by repression and Stalinism.

Seven months have passed since the reformers took over in Czechoslovakia; their record has been impressive.

An internal political crisis had been brewing since the Writer's Congress in mid-1967. Demonstrating students in the fall protesting against the actions of the regime led to repressive police measures.

The issues, among contending factions, were clearly drawn in the December meeting of the Czechoslovak party leadership. And in January the crisis was

July 29, 1968

resolved with the dismissal of Antonin Novotny, the Stalinist leader, and the ascendancy of a liberal, reforming faction within the Czechoslovak Communist Party under the leadership of the Slovak party leader, Alexander Dubcek.

From its beginning in January, the new regime initiated a series of reform measures that were destined to take Czechoslovakia out of its dismal Stalinist past and set it on a new course heading in the direction of expanding freedom. Hope for a brighter, more prosperous, and more progressive future was infused in the entire country by the new leadership.

Censorship was lifted; the press was liberated from the shackles of repressive Communist orthodoxy; peace was made with the church; a new party program, guaranteeing a new and wider freedom for Czechoslovakia, was formulated for the consideration of the leadership; the wrongs and injustices of the past were righted in a series of rehabilitations; the political leaders went to the people; they confided in them; they won the people's confidence.

In short, during these 7 brief months a peaceful revolution was carried out in Czechoslovakia, a revolution that has taken that once Stalinist country far along the road to a form of democratic socialism.

But this movement into a wider area of freedom was not done without considerable alarm and anguish over the possible negative reactions from the Soviet Union and its allies in the Warsaw Pact, especially Poland and East Germany.

Dubcek and his reformers did not have to wait long for the reverberations from Moscow. Virtually from the beginning—Brezhnev actually participated in the December conference that preceded the removal of Novotny—the Russians registered alarm. The Poles and East Germans, both sharing a common border with the Czechoslovaks, were firmly united behind Moscow in a determined effort to check liberalization in Czechoslovakia. Accordingly, conferences were called in Moscow and Dresden. Soviet Premier Kosygin, along with Soviet military leaders, spent a few days in Czechoslovakia, conferring with the Prague leadership and surveying developments in the country.

All of these actions were taken with a clear intent: To put pressure on the Czechoslovak leadership, pressure that would force it to brake its liberalization drive and return to the more orthodox forms of communism.

Perhaps the greatest pressure has been applied since June, greatest because it was military pressure. In the spring, Moscow and its allies insisted that Czechoslovakia permit full-scale military maneuvers of the Warsaw Pact on its territory. For weeks the Czechoslovaks were able to resist, but finally they were compelled to acquiesce: This they did on condition that the maneuvers would be limited in scope.

However, once the maneuvers began it could be very quickly seen that they were far from being limited. The Soviets were believed to have had some

20,000 to 27,000 troops engaged. Moreover, when the maneuvers ended, the Soviets failed to withdraw these troops. And when they agreed to do so, they withdrew them piecemeal and then very slowly. Now we learn that the Soviets are staging large-scale troop maneuvers all along their western border, part of which abuts Czechoslovakia directly.

This last display of "muscle flexing" was carried out amid Soviet demands that the Czechoslovak leaders confer with its Politburo somewhere in Russia. The Czechoslovaks very wisely resisted this pressure, but finally conceded to meet somewhere in Slovakia, near the Soviet border.

This is where the matter now stands.

How all this will end, we just do not know. There are powerful arguments for the case that the Soviets will intervene. Yet, on the other hand there are persuasive arguments against it.

What should concern us most of all in this obvious use of military pressure for political purposes is the real meaning behind these actions and pressures of the last few months and its connection with American foreign policy.

In recent years we have been hearing a great deal about detente in Soviet policy. A feeling seems to have arisen that the Americans and the Russians are entering a new era of accord. All signs were said to be pointing toward a decompression of the cold war. In fact, writers began to speak categorically of an end in the cold war.

Now, I want to make it clear that I am not now nor have I ever been a person who sees a Communist conspiracy in every action taken by the Soviet Union or its allies. I have long looked upon myself as a realist in these matters, seeking to assess Soviet intentions dispassionately and evaluating their actions in the same objective spirit.

Having said this, I must confess to a great deal of doubt for what has been asserted as the authenticity of the so-called detente in Soviet policy. I seriously question whether the Soviets are in reality in a mood to establish a secure peace in Europe. How else can one interpret these military pressures and military threats they have been making against Czechoslovakia. Time and again the Prague leadership has given assurances of its loyalty to the Warsaw Pact and of its friendship toward the Soviet Union. But, apparently, for the Russians this is not enough.

The point of my inquiry is, therefore, that were the Soviets genuinely inclined to establish a detente with the West, if they were genuinely concerned about peace, certainly they would not resort to military means, perhaps even in military intervention, to impose their will on Czechoslovakia.

I submit that we go too far in attributing peaceful intentions to the Soviet leaders, especially in this very critical situation. Realism requires that we set aside all notions of sentimentalism and consider these recent Soviet actions in the hard, cold light of reality. To do less is to do a disservice to the American people and to ourselves as their legislators.

THE POTENTIAL IMPACT OF THIRD-PARTY CANDIDATES ON THE U.S. PRESIDENTIAL ELECTION OF 1968

Mr. BAYH. Mr. President, there has been widespread speculation on the impact which the entrance of third- or minority-party candidates might have on the coming presidential election. For a number of reasons interest has been heightened in the possible effects that might result if a contender other than the nominees of the two major parties secured a sizable electoral vote.

Among the able scholars who have carried on serious research into the problems related to the selection of the President and Vice President, none is more qualified to write with authority than Prof. James C. Kirby, a member of the faculty of Northwestern University Law School. Professor Kirby served at one time as chief counsel of the Senate Judiciary Subcommittee on Constitutional Amendments, and he was a member of the American Bar Association's special commission on electoral reform which has advocated adopting an amendment to provide for direct popular election of the Chief Executive.

Professor Kirby is the author of a very interesting article entitled "Will the United States Graduate From Its Electoral College?" which was published recently by the Christian Science Monitor. In this study, Professor Kirby analyzes several interesting facets of our electoral system, and points out other situations in our history which have relevance for the present. Because of the timeliness and realistic approach of this article, I ask unanimous consent that it be printed at this point in the Record.

There being no objection, the article was ordered to be printed in the Record, as follows:

WILL THE UNITED STATES GRADUATE FROM ITS ELECTORAL COLLEGE?

(By James C. Kirby, Jr.)

Political reformers are eyeing the presidential candidacy of George C. Wallace with a sort of nervous satisfaction. These reformers are working to abolish the Electoral College in favor of direct popular election of the American president. Mr. Wallace, by dramatizing the quirks and oddities of the Electoral College system, may be unwittingly serving the reformers' cause.

By January of 1969, the former Alabama Governor may well have manipulated it into a major miscarriage of the national will. In any event, the 1968 election promises to educate the American public on some fine points of constitutional law.

The constitutional base of the nation's only truly national election is quaint but hardly suited for its modern function: choosing a chief executive for all the people. The system is substantially unchanged since the 1789 election of George Washington.

On Tuesday, Nov. 5, the voters will select 538 "electors" who will subsequently attempt to choose a president. Members of the Electoral College, these people will convene Dec. 16 in state capitals and the District of Columbia in 51 groups ranging in size from 3 to 43. Their ballots will produce a winner if some candidate receives a 270-vote majority. Otherwise, the electors serve merely as a nominating convention for a January runoff election in the House of Representatives.

Mr. Wallace's candidacy spotlights three