Dr. HELLER. I feel that, given the present economic outlook, this is a time to be very careful that interest rates not be raised one basis point more, or credit tightened one dollar more, than is absolutely required by the international payment situation. I think that this requires continued vigilance in the current economic situation.

Representative REUSS. Thank you.

Chairman PATMAN. Senator Javits?

Senator JAVITS. Mr. Chairman, would you turn to your statement. I call your attention to the sentence which reads:

> The most recent evidence on economic activity, though mixed, offers cause for concern.

I ask you, concern about what?

Dr. HELLER. Concern about the full utilization of resources in the economy and about the pace of further expansion.

Senator JAVITS. Does it offer concern that we may be heading into another recession?

Dr. HELLER. When we tried to sum up our view on the outlook we said that we cannot rule out the alternative possibility that the recent slowdown in the expansion represents advanced warning of an economic decline. That is one alternative that has to be taken into account in the formulation of policy and in the watching of the indicators.

Senator JAVITS. When you use the word "decline," is that the same meaning as my word "recession" or is it a different meaning?

Dr. HELLER. In a sense, "recession" means a receding from the previous levels achieved in the economy; and I suppose in this case "decline" is a euphemism for "recession."

Senator JAVITS. It is a fact, is it not, that you have omitted one factor which is a sign of danger, and that is the diminution of inventory accumulation in the second quarter of 1962. Is not that correct?

Dr. HELLER. We specifically covered the $3.4 million rate of inventory accumulation in our statement.

Senator JAVITS. Except it is not at that particular point, is that correct? That is an additional factor.

Dr. HELLER. That is an additional factor and we pointed to it.

Senator JAVITS. Now, may I ask you this question? Is there a connection between your statement that a program to improve the rate of utilization of our resources and the rate of growth of our economy must include the even more fundamental measures of tax reduction and tax reform—is there a connection between that statement and the statement that we have just been discussing that there is cause for concern? In other words, is tax reduction a measure which is designed to relieve us, if we can be relieved, of this case for concern?

Dr. HELLER. If further developments in the economy, Senator, confirm the rather more pessimistic possibilities, the two are very much related. But our statement to which you refer has both a short- and long-run orientation. I think we are confronting, as the 5 years of unsatisfactory economic performance indicate, a longer term problem of inadequate expansion and continued underutilization of our resources which calls for tax reduction and tax reform, in any event. As we noted in the list of considerations concerning the size, timing, and composition of tax reduction there is also a shorter term ques-