explicit attention can be given to the total on the expenditure side of each year's budget.

Second, the economic situation would benefit from tax actions now that would reduce the level of the structure and move it in the direction of a better system. As I mentioned, fortunately, there is a rather surprisingly narrow range of disagreement on what the elements of such a package might be—some reduction in the corporate income tax and some reduction in the personal income tax. The total package should be such that the resulting tax structure would still produce enough revenues comfortably to cover expenditures at reasonably full employment. On this basis, something like $7 billion would probably be the outside limit of any tax reduction at this time. The action should not be quickie or temporary in character. We should capitalize on the substantial current consensus in order to move toward a better basic pattern of Federal taxes.

Third, I would, myself, support the proposal that the President be given limited power to alter certain tax rates. This could be hedged with adequate safeguards, limited as to amount and perhaps requiring that the President transmit to the Congress a full report setting forth reasons for his actions. Without this authority, each recession produces inexorable pressures to do something on the expenditure side which, history suggests, will be moving expenditures to a substantially higher level.

This proposal, in other words, would be a step toward fiscal conservatism. In the long run it would make for a less rapid increase for expenditures and more elbow room on the tax side for further needed reform.

One further question. Would tax reduction and reform now be apt to worsen further the already somewhat nervous position of the dollar internationally? This is possible. If the resulting expansion sets in motion an accelerated rise in our cost-price level, and if we insist that the monetary authorities adhere to unrealistically low interest rates, and if needed improvements in profits were seemingly interpreted as evidence of malevolence, the dollar could quickly be in real trouble. And it must be stated flatly that such trouble would then be deserved. If, however, we manage our affairs carefully, there is good reason to think that the international position of the dollar would not be worsened by tax reform and reduction now, and it might well be strengthened. The resulting higher level of national income would, of course, tend to increase imports and that would enlarge the deficit in our international balance of payments.

There are, however, forces that would work the other way. The more active demand for funds would produce higher interest rates in the U.S. money and capital markets. The invigorated pace of economic activity would enlarge the opportunities for more profitable investment of capital in the domestic economy, reducing the incentives to seek investment outlets abroad. The innovational activity that accompanies a more lively pace of economic expansion should, in time, have some favorable effects on U.S. exports. Since in the U.S. economy imports are relatively small and the international capital outflow is relatively large, there is at least an even chance that policies proposed here woud help to narrow the deficit in our balance of payments.