Now, there does, of course, remain the potentially adverse effect on psychology and confidence in the dollar both here and abroad. My own view would be that if the tangible, concrete, objective factors can be expected to be at least neutral and possibly helpful, then we ought to be able to manage that.

In conclusion, the becalmed state of the economy at present—coming on the heels of a particularly weak cyclical expansion superimposed on a protracted period of less than reasonably full employment—strongly suggests to me that the economy needs strengthening in a fundamental way, and it also suggests that within reasonable limits this can be done without courting the risk of a disorderly expansion.

The basic problem is the shortage of income and purchasing power, but this deficiency must be remedied in ways that do not increase costs per unit of output and do not produce monetary conditions which would further weaken the dollar. This calls for tax adjustments that lower and otherwise improve the structure. The magnitude of the reduction should still leave us with a tax structure whose revenues would cover expenditures when productive resources are being utilized reasonably fully. Such actions need not weaken the dollar internationally, and there is an even chance they might strengthen it.

In fact, we are fortunate that what is needed to step up the pace of job creation and economic expansion at home could also add strength to the dollar internationally; namely, a more innovative and prosperous and profitable economy.

Chairman PATMAN. Thank you.

(The full statement is as follows:)

TESTIMONY OF PAUL W. MCCRACKEN, PROFESSOR OF BUSINESS CONDITIONS, SCHOOL OF BUSINESS ADMINISTRATION, UNIVERSITY OF MICHIGAN

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Mr. Chairman, I greatly appreciate the opportunity to appear before this committee to consider the implications of current business conditions for economic policy. Clearly the first question to pose is this: Does the evidence indicate that the economic situation needs to be strengthened in a fundamental way? The situation is not, of course, without its hopeful aspects. Even if this cyclical expansion were to be a bit on the short side, business cycle history suggests that economic conditions should continue to improve for several months yet. By the end of this year the present expansion would still be of only 22 months' duration. Only one upswing since World War I (November 1927, to August 1929) was shorter than this. Moreover, we know that the course of any upswing is irregular, with flat months and air pockets occasionally developing. The fact is that in recent months the economy has been bombarded with an unusual run of bad luck—such as the steel price donnybrook, the stock market break, and recurring nervousness about the international position of the dollar. Good economic policy clearly requires that we not be "nervous Nellies," rashly proposing major changes each time a cluster of bad news or bad luck comes along.

Three considerations suggest that the economy does need strengthening in a fundamental way. First, there is the fact that the economy has for some years been operating somewhat below par. This has been widely recognized and discussed. In his study for this committee (published in 1960) Mr. Knowles estimated for each year from 1909 to date the output that would have represented reasonably full utilization of the Nation's productive resources. In 9 of the 15 years from 1947 to 1961, output was below par (including all years since 1957). By contrast in the 17 years from 1909 to 1929 (excluding the years 1917–20) the