no loss of revenue). The total package should be such that the resulting tax structure would produce enough revenues comfortably to cover expenditures at reasonably full employment. On this basis something like $7 billion should probably be the outside limit of any tax reductions at this time. The action should not be "quickie" or temporary in character . We should capitalize on the substantial current concensus about what ought to be done 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 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 would, in short, be a step toward fiscal conservatism. In the long run it would make for a less rapid increase in expenditures and more "elbow room" on the tax side for further needed reforms.

IV

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 neded improvement in profits were seemingly interpreted as evidence of entrepreneurial malevolence, the dollar could quickly be in real trouble. And, it must be stated flatly, such trouble would then be thoroughly 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. capital markets. The invigorated pace of economic activity would enlarge the opportunities for more profitable investment of capital in the domestic economy, reducing incentives to seek investment outlets abroad. And the innovational activity that accompanies a more lively pace of economic expansion should in time have some favorable effect 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 would help to narrow the balance-of-payments deficit.

There does remain the potentially adverse effect on confidence in the dollar, internationally and domestically, of tax action now. If, however, the tangible, concrete, objective forces can reasonably be expected to beat least neutral and probably favorable, and if we give evidence of capacity to manage sensibly such things as monetary and wage-cost-price policies, we can probably deal with the psychological aspects of the problem.

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 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 economic expansion. The basic problem is a shortage of income and purchasing power, but this deficiency must be remedied in ways that do not increase costs per unit of output and that 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 action need not weaken the dollar internationally, and there is an even chance that it 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—a more innovative, more prosperous, and more profitable economy.