neutral in its effect, and I think personally there is at least an even chance that it might improve our balance of payments.

Senator DOUGLAS. You say "correctly," what do you mean?

Mr. MCCRACKEN. If the expansion of business activity that we got sets off a very substantial rise in the price level, or if we gave the economy a surfeit of liquidity, then this would probably work out to have adverse effects. But in the technical sense, the adverse effect on our balance of payments of a higher level of business activity because of the higher imports, would, I suspect, be largely offset by favorable effects on the large capital outflow—and ultimately even a strengthening of U.S. exports.

Senator DOUGLAS. I was not speaking of commodities.

Mr. MCCRACKEN. I understand.

Senator DOUGLAS. I was speaking of the military and dependents' expenditures, foreign aid, capital investment abroad.

Mr. MCCRACKEN. All of that would help. Some reduction in these is an essential part of the solution.

Chairman PATMAN. Senator Javits?

Senator JAVITS. Gentlemen, I notice an interesting consensus among all three with respect to a tax cut which is very interesting in view of the fact that the press and public and Mr. Heller all assume the matter is decided and that there will be none. Therefore, I notice, also, an interesting consensus among you—certainly two of you explicitly, and perhaps I missed it in the third, suggest that we give the President the authority to make a tax cut. Suppose I should tell you, just for the sake of this argument, that is equally impossible. Just as the President can decide that he would not ask the Congress for a tax cut, the Congress can decide that it would not give him authority to make one. I have little doubt, and I state this unilaterally, that is just as sure by now as the fact that he is not going to ask for one.

Representative CURTIS. Surely.

Senator JAVITS. I think the Congressman is right. Where does that leave us in view of the fact that your recommendations, Dr. Pechman, are directed essentially toward governmental action? I notice at pages 7 and 8 where you say that what we should do, if we cannot get a tax cut, is to give the President authority. I tell you unilaterally, and I think it is sound, that is just as unlikely and impossible as the other.

Then really you boil down to recommendations to extend unemployment compensation benefits, and to deal with the capital improvements program already passed by the Senate. I do not think you put that very high on your list, or that the administration submit a new budget. Again it is not too decisive a form of action. So really we get down to extending unemployment compensation benefits for a year. I could not agree with you more. I thoroughly agree with you.

Now I would like to ask you all this question: Are there not many other things which could be very helpful—assuming now that notwithstanding your view and mine, as you know widely advertised, that there should be a tax cut, that it should be now and it can be now and it makes a lot of sense, and the fact that we are not going to give the President this authority, which I asked you to postulate, and the fact that perhaps we would not even do this unemployment thing much as I agree with you. Are there any things which the Presi-