of promoting growth through the control of costs and the improvement of efficiency. The former course could only lead to inflation and ultimately the devaluation of the American dollar. The consequences for our own economy and for the free world generally would be very serious.

The conditions for prosperity and economic growth: A program for promoting high levels of employment and economic growth with generally stable prices, of course, involves many elements. As long as we are to remain predominantly a private enterprise market economy, such a program must center on the incentives for, and the resources available to, private economic activity.

As already noted, the two poor performers in our recent economic history have been profits and business investment. A program for growth and prosperity must certainly provide for a reversal of these trends.

The growth of labor costs at the expense of profits is a problem that must be dealt with. The constant upward pressure on labor costs is due partly to the power of labor organizations to raise wage rates and fringe benefits regardless of market conditions, and partly to a failure on the part of the public to understand that such cost increases curtail employment opportunities and economic expansion.

Since I have been asked to speak here primarily on fiscal policy, I will concentrate on that aspect of the problem. There is an important contribution that Federal fiscal policy can make to prosperity and growth. It is through enactment of a systematic program of rate reduction applied both to the corporate income tax and to the personal income tax. Such a program would increase the flow of capital for modernization and expansion and improve the profitability of business operations.

Such a program should be carried out within the general framework of a balanced budget. Otherwise, it would be merely another form of the deficits-to-increase-demand approach which should be rejected for the reasons given earlier.

The tax rate reform should be permanent and it should be substantial in amount. It should apply to both corporate and personal income taxes since both affect incentives and both affect the supply of capital for private investment. The objective should be, not an expansion in demand, but an improvement in profitability and an increase in the flow of savings for investment. Hence, while such a program should involve reduction of individual rates all along the line, it should also provide for a substantial compression of the steep progressivity of the rate structure.

This is, of course, too big a package to be achieved all at once. But it is not impossible of achievement if we have enough determination to adhere to a program of gradual rate reduction spread out over a series of years, meanwhile preventing any further increase in Federal spending.

The program just described is designed to meet the longer term problem of chronic economic sluggishness, rather than the immediate short-term danger of a cyclical downturn. But the lift that early adoption of such a program would give to the confidence of business and the public would have a prompt and salutary effect on the economic trends of the immediate future. Progress toward a solution of