mitted to get underway, the timetable of possible progress toward full prosperity in this country may be set back by a full year, and this even if one makes the most optimistic assumption regarding the resulting deterioration of people's expectations and planning assumptions. If, as I think may be quite possible, the prompt and careful application of more stimulative Government policies can prevent our turning around that corner to recession, this will be immensely advantageous to us.

My program for prosperity—which is not meant to be exhaustive—has five points:

1. Every effort must continue to be made to restrain increases in wage rates and to discourage unreasonable increases in administered prices. In the present setting of policy, larger wage increases will almost certainly have to mean larger unemployment in the short run and other unattractive adjustments in the longer run.

2. The Federal Reserve must immediately cease its moratorium on monetary growth. While I think that the rate of money increase can and should be flexibly adjusted about its normal value in response to changes in economic conditions, a reasonable starting point for policy now would seem to be a presumption for an increase in money supply on the order of a 4- or 5-percent annual rate.

3. Until economic conditions strengthen, the Treasury should severely limit its issue of securities other than short term. It should freely increase the economy's supply of liquidity instruments.

4. I believe that a moderate tax reduction this year would be a wise policy. Because our limited abilities at economic forecasting create the need for flexibility of policy, the President's proposal that he be given limited power to change tax rates for economic stablization reasons also should be passed this year.

5. Further revision of the tax system to encourage business investment, as through the investment credit proposal, also seems desirable.

If it uses its principal powers thus in a coordinated way, rather than using some of them to oppose others, I am confident that the Government has ample ammunition to prevent accumulation of either deflationary deficiency or inflationary excess of total demands. We surely shall not be able to manage these powers perfectly and get exactly what we want in every year, but I think it is extremely important to be able to feel that our system of policy use will never permit the economy to get very wide of the mark, to again get really out of hand.

Achievement of progress toward full prosperity in the United States doubtless in the short run will act to aggravate the balance-of-payments deficit, although some forces will work in the opposite direction. Nothing will retain and draw capital to the United States like prosperity and the attractive yields that it entails. Also the high levels of investment by which it is hoped that our productive efficiency may be increased and the payments position improved in the longer run can hardly be conceived as occurring except in a prosperous economy.

However, any weakening of the balance of payments that occurs as a result of prosperity without price inflation need not, I think, be feared. We have resources that, if properly used, suffice to ride