if necessary borrowing reserves from the International Monetary Fund or other lenders; (2) tightening money and forcing a domestic deflation with its consequent unemployment of resources; (3) devaluing the dollar or permitting the exchange rate to float; (4) resorting to direct controls such as restricting imports, restricting foreign borrowing, restricting investment abroad, subsidizing exports; and (5) curtailing foreign aid or other foreign expenditures.

Perhaps none of these actions is pleasant to contemplate, but they represent the only alternatives available. Of those, probably the most costly in terms of employment, production, and income would be internal deflation brought on by monetary restriction.

A policy of monetary restraint is highly appropriate during periods of excessive spending and borrowing resulting in inflation. Rising interest rates during a period of rapidly rising demands perform the valuable function of rationing the limited supply of funds. Such is not the case at present nor does inflation promise to be a near-term problem.

A policy of monetary restraint under present circumstances would probably temporarily slow the gold exodus, as in 1931, but only at the cost of significantly reducing productive economic activity.

Chairman PATMAN. Thank you, sir. Senator Javits?

Senator JAVITS. Mr. Chairman, I am very grateful to you for allowing me to ask this one question, and I will not intrude on my colleagues by asking more. I notice that in only one of these statements is there a reference to a tax reduction, and that is in the statement of Mr. Culbertson in which he says, "I believe a moderate tax reduction this year would be a wise policy."

Mr. Culbertson, would you be good enough to give us your view, having heard the President last night—I assume you have, because you so indicated—as to whether you nonetheless think we should have a tax reduction at this session and if the other gentlemen feel inclined to comment perhaps they will do the same. That is my only question.

Mr. CULBERTSON. In some ideal world, Senator, I should like to see a tax reduction this year. I think the likelihood of there developing between now and next January or February such a gathering of expansive forces in the economy as to make such a tax reduction superfluous or harmful is exceedingly remote.

Therefore, from a strictly economic point of view there is very little reason for waiting. However, realistically there are some other considerations involved. It would be preferable that the tax cut should be in such a form that would keep us satisfied over a period of time. Also, I suppose that political considerations cannot be ignored. Across the country there seems to be a divided opinion as to the desirability of reducing taxes now. Perhaps on the basis of these considerations it is appropriate to wait until the first of the year.

I don't think we should wait any longer than that, and I would say if there were only economic considerations involved, and if you now had a tax bill that you were satisfied with and ready to move with, I should see no reason to wait on economic grounds.

Senator JAVITS. Are there any other comments from other panelists? If not, thank you, Mr. Chairman.

Chairman PATMAN. I want to invite your attention to testimony that we had yesterday that for some reason did not receive recognition from the press. I feel it must have been overlooked.