tax increase or not have it. Then we could, of course, argue among ourselves and make our judgments about what will happen as we look to the future. On the basis of the existing situation, however, is it so exuberant, so buoyant now that we could with a great deal of confidence expect to do no harm to the economy if the situation remained for a period of some 6 to 12 months as it is today?

Mr. ACKLEY. It seems to me the facts of today include all those factors which will inevitably create a rising level of output and incomes in the year ahead.

I certainly agree with you that the task of trying to forecast economic conditions for a period ahead is a difficult and dangerous one, and one which none of us has fully perfected.

I submit, however, Mr. Chairman, that it is impossible in any case to have an intelligent economic and fiscal policy without some kind of a forecast.

If we had the conditions of a boom today, which would appear to make a tax increase appropriate, we still would have to be acting with at least the implicit assumption that those boom conditions would be continuing and one can never be confident that boom conditions will automatically continue by themselves. They have disappeared in the past. Thus a forecast is always necessary in evaluating a fiscal program.

It seems to me the key known fact about the present and recent economic situation is the one I stressed in my testimony this morning: namely, that the level of demand by final users—consumers, governments, business for plant and equipment, and home buyers—has been advancing rapidly in each of the past two quarters, by $15 billion, and that all of the evidence we have suggests the continuation of that kind of an advance.

So that it would be a dangerous step to raise taxes today only if one had some reason to suppose that the inventory adjustment which has so greatly held down the advance of production in the first half year, would continue.

Now that is the forecast which it seems to me is the speculative forecast. It is one that I would find it very hard to support. I think, in other words, that the facts of today include all of the forces that have been and are operating in the economy, and that those factors of today do support the view that the economy will be able to take the tax increase without danger to its health.

Secretary FOWLER. Mr. Chairman, could I add one word to that? Turning from the general economic picture to the strictly financial picture, the picture in the financial markets, one can say, without too much fear of contradiction from those familiar with those markets, that those markets will tend a lot more to stability and to the kind of a balanced picture that we all want if we raised more of the money out of current revenues than if we borrowed the total in the market.

So looked at from the specialized, but highly important, aspect of the situation in the financial markets, even though the economic factors that you and the chairman have been discussing might not be decisive one way or another, from where I sit, it is preferable, greatly preferable, to meet a substantial part of this borrowing demand out of increased taxes rather than to borrow the entire amount.