

authorities were willing to use blatantly evasive tactics, suspension would, in time, seriously restrict their ability to fulfill their obligations under the Federal Reserve Act and the Employment Act of 1946. It would be only a matter of time—and I expect only a relatively short time—before such awkward arrangements would collapse and force us, quite possibly in an atmosphere of crisis, to do what we can do now in an atmosphere of relative calm.

So, I put removal of the requirement to hold gold as a reserve against currency at the top of my list. This is by no means all that needs to be done in the area of international monetary arrangements, but it is an essential first step.

(2) *Devise some means to put a reasonable ceiling on Federal expenditures*

I put this in second place because it is apparent that satisfaction on expenditure policy is a necessary precondition to action on tax policy.

Obviously, your committee must first decide whether the President's fiscal 1969 proposals for new obligational authority and expenditures, including net lending, are appropriate in the circumstances. I doubt that they are. It has been my feeling that fiscal 1969 spending should not exceed the level contemplated for fiscal 1968. It must be conceded that the budget goes a fair distance in that direction, when you consider that it contemplates expenditures that rise \$10 billion as compared with annual increases that recently averaged close to \$20 billion. But, it is hard for me to believe that it goes as far as one can properly and realistically expect it to go—again, in the circumstances. Moreover, the fact that it requests an increase of \$15.2 billion in obligational authority as compared with a \$3.9 billion increase in fiscal 1968 suggests that expenditures will soon rise sharply again.

My suggestion is that the Joint Economic Committee scrutinize the 1969 budget in the light of the economy's financial condition and propose realistic but tight ceilings for obligational authority and expenditures, possibly with special exception for Vietnam costs. The Appropriations Committees will study and act on budget specifics; this committee is in a unique position to supply guidance on budget aggregates.

If the committee feels the budget is right as it stands, it could say so. If not, it might clear the way for tax action by proposing the establishment of ceilings on expenditures and obligational authority in the manner provided for in section 138 of the Legislative Reorganization Act of 1946. I am sure the committee is familiar with the pertinent provisions of that statute. I suggest that you utilize the authority it gives the Congress to exercise restraint over itself in voting authorizations to spend and over the executive branch in making actual disbursements.

(3) *Propose the establishment of an independent, bipartisan commission on budget policy*

Another move that could clear the way for tax action would be for your committee to urge appointment of an independent, bipartisan commission to make recommendations on Federal budget policy. We have had a commission, and a useful one it was, reporting on the form