

A third element, of direct and immediate importance, relates to the willingness of foreign countries to hold dollars as an international reserve currency. This is perhaps the most vulnerable point in our balance-of-payments position in the immediate future. If it is believed that the United States will tolerate sharply rising price levels, foreign money centers will lack the confidence in the future stability of the dollar which is so vital to their willingness to hold dollars instead of gold in their international reserves. The result could be a flight from the dollar and disruptive shifts of short-term capital which would further damage our international payments position.

THE NEED FOR RESTRAINTS

The critical problems described above urgently demand immediate policy correctives. We are faced with total demands from the public and private sector which far exceed our productive capacity. In order to prevent a dangerous wage-cost-price spiral which would jeopardize our domestic stability and possibly cause irreparable damage to our international payments system, we must embark immediately on a program of fiscal and monetary restraint at home, combined with actions to control our precarious balance-of-payments position.

We believe that the problems we face offer a serious threat to the American economy. They are due in a large measure to the war in Vietnam and the need to improve living conditions in our cities. These extraordinary demands require that comprehensive measures be adopted to restrain inflation. We, therefore, urge the use of every available means to bring the situation under control.

1. REDUCTIONS IN FEDERAL SPENDING

We would urge the Congress to carefully review those areas of Federal spending which might be cut during the coming months. Expenditure reductions should center not just on the postponement of spending programs but also on the careful trimming of less-essential programs which are of lower priority under our present circumstances of rising defense needs and added strains upon our productive capacity.

The problem of controlling Federal spending is not merely one of immediate budgeted outlays. Over the years, a number of programs have been adopted which served useful and appropriate purposes at the time but which have been continued in spite of changing circumstances and have added to budgetary totals year after year. The result has been an unrelenting upward trend in governmental outlays and a mass of programs which prove to be relatively uncontrollable on short notice, even when other forms of spending become more essential.

For the long term, therefore, we urge favorable consideration of S. 2032 and H.R. 10520, identical bills which would establish a Government Program Evaluation Commission on a bipartisan basis to study existing Federal programs to determine the effectiveness of these programs and the priorities which should be assigned to them in the light of the fundamental needs of the Nation. We believe that this approach holds great promise for achieving the long-run objective of bringing budgetary outlays under closer control. By eliminating or