Senator PROXMIRE. It was my fault. I should have emphasized: I am saying you will need a bigger tax cut if you have higher interest rates.

Dr. WESTON. Yes. That is absolutely true.

Senator PROXMIRE. In order to do the same job?

Dr. WESTON. Certainly.

Senator PROXMIRE. And the higher interest rates do restrain employment? They do restrain expansion?

Heaven knows in the construction industry, it is just as clear as the nose on my face that between 1955 and 1957, when we had an increase in income, an increase in population, a big increase in family formations, in spite of all this housing starts just nosedived—because the interest rates were climbing. And here is a tremendous area of employment.

Dr. WESTON. Yes. But given that we are near the top of an upswing, the ability of monetary policy to stop a turn is questionable. This is why I argue for moving in the realm where you do have authority, in the realm of fiscal policy.

Yes, I would agree to ease up on the monetary side, also. But on this you have exercised no control. Ease up on fiscal policy, because this has the greater power to stop the downturn.

Senator PROXMIRE. My time is up. I just want to say that I think we have all the control in the world, far more as a matter of fact, over monetary policy than we have over fiscal policy. All we need is the resolution to exercise it.

Chairman PATMAN. I want to interrogate the panel after Mr. Widnall, but first I would like to congratulate you, Dr. Weston, on reprimanding Congress for failing to assume its constitutional monetary powers.

Mr. Widnall?

Representative WIDNALL. Thank you, Mr. Chairman.

I will ask this question of the entire panel.

If an immediate tax cut is enacted, should it be limited as to length of time?

Dr. WESTON. I would say no, because certainly my basis for recommending the tax cut is not for the cyclical problem, but for the fiscal structure problem.

Structurally, the taxes just levy too large a burden on spending power.

And incidentally, with regard to where you provide the tax cuts: While it is true that we have very high rates on high incomes nominally, it is questionable as to the extent to which our personal income tax program is de facto progressive. Look at the facts; taxable incomes over $20,000 a year account for only 26 percent of the total revenues, of the revenue system.

As Prof. Henry Simons so aptly put it, we dip deeply with a sieve in our personal income tax rate, and it really does not make too much difference. The Harvard Business School studies of effects of the progressive personal income taxes on incentives have very clearly concluded they did not have negative effects on incentives.

And this is why I argue that if the structural problem is inadequate spending, you do it at the low end of the scale. You cut taxes there.