Let us not use tax rate changes as a minor adjusting factor. There are too many factors to consider now in business investment. Do not add any.

Dr. WESTON. I think it should be pointed out in this connection that not to take any action at all is a policy matter. The fact of life is that the Federal revenue system now accounts for something like 20 percent of gross national product. This means that even if you do not make any change, there is a significant impact, and it is a policy decision in effect to say that what we have is the correct thing.

Now, among all of the multitudinous things that can affect business decision making, technological change, and so forth, changing the structure of taxes on the side of easing up on the fiscal brake should pose few problems for business planning. In the first place, it is a favorable change for business. In the second place these changes are so infrequent, so episodic, that compared to the many other uncertainties that business faces, you certainly cannot use this as an argument against a tax reduction.

Mr. ELLIS. I was using only the argument against a quickie tax reduction which may be for a short time. I am very much in favor of permanent reform.

Mr. WISHART. I might add to that the concept of a quickie tax reduction, even a temporary one, on a countercyclical basis, is one which has great support.

For example, in a period of declining employment, or in a period where recession may be threatening, a $100 deduction of Government tax withholding would I think have a strongly stimulating effect. It can be used as a short-term offset.

Dr. WESTON. I would add that a permanent tax reduction enacted promptly is not a quickie.

Mr. ELLIS. No, I was thinking of a reduction which would be rescinded at some time in the future. That is what I meant by a quickie.

Dr. WESTON. We were certainly proposing a permanent reduction.

Mr. ELLIS. Yes. One without a time limit, then.

Dr. WESTON. Without a time limit, and done promptly.

In this connection, it should be pointed out that such a great need for tax reduction exists that a tax cut now does not rule out the need for another tax reduction at the time the tax reform proposals come before Congress. The present proposals for tax cuts would so stimulate the economy that the revenue loss would be very small. Tax cut measures with initial cuts totaling at least $10 billion could well accompany the tax reform proposals.

Representative WIDNALL. We have heard much recently about budget deficits promoting prosperity. Now, in fiscal 1961 and fiscal 1962, we have budget deficits, and we are going to have one in fiscal 1963. Why has the economy been so sluggish, then, that we have been incurring deficits?

Dr. WESTON. It is the difference between a deficit incurred passively, and one incurred actively. When a deficit is incurred passively, because of lighter economic growth, this has no stimulating economic effect. A deficit that is planned for turns out not to be deficit.

Representative WIDNALL. Government spending has incurred the deficit, and you are going to increase the Government spending? I do not see the difference between the two.