

Dr. HELLER. When we are dealing with quarterly figures, we use, in effect, the average for the first 3 months of 1961 compared with figures for the second 3-month period of 1962. That is for quarterly figures. The monthly comparisons are based on February 1961, and run up the latest month for which data are available, usually June of 1962.

Senator PELL. I found it a little confusing trying to discover the exact calendar period you were referring to in which this improvement occurred.

Dr. HELLER. I am sorry. Some data are only available quarterly, some monthly. Of the latter, the latest available data are in some cases for May, some for June, and some for July.

Senator PELL. In other words, our GNP has gone from 500.8 to 552 billion in the period from February 1 to April 30.

Dr. HELLER. No. From the first quarter of 1961 to the second quarter of 1962.

Senator PELL. What would be the calendar dates?

Dr. HELLER. The calendar dates are the average for January, February, and March 1961 and the average for April, May, and June 1962.

Senator PELL. Thank you very much.

Dr. HELLER. We don't have GNP on a monthly basis, only quarterly.

Senator PELL. In line with Senator Bush's question as to whether we have tried a reduction in tax before to ward off a recession or depression, I wonder if this same process has been tried in any foreign countries of which you are aware.

Dr. HELLER. There is a flexible tax authority that is now available to the British Government. They have the authority to vary certain excise tax rates and employment taxes in response to the requirements of economic policy. So far they have used only one of those two, their consumption taxes, and they moved those up last summer in order to cut down the level of demand.

Secondly, the Swedish authorities have an investment credit which is moved up and down. As I recall the operation of that, businesses are given a tax incentive to put a portion of their profits in escrow, so to speak, during boom times. Then, in slack times, they are allowed to use them for investment projects.

So there have been some experiments here and there, but there is no precise parallel to what we are talking about. I might say, however, that the 1954 experience offers some parallel, to be sure, not in the sense of a conscious, antirecessionary tax policy, but the effects are the same. Congress, as I recall, enacted a very quick cut of about \$4 billion in the Korean war taxes. Then, in the longrun "tax overhaul," as it was called, there was added another billion and a half of income tax reduction. In other words, that gives us an experience that is quite relevant, although not in the sense of deliberate congressional action to cut taxes for business cycle reasons.

Senator PELL. If it is decided that a tax cut is a good idea—and I personally agree with Senator Douglas that it would not be right at this moment, although I am most certainly for an income tax cut—what kind of tax cut would you be inclined to consider as the most favorable or advisable? Would you incline to a cut in the lower bracket, or employing the withholding mechanism in which the withholding tax would be suspended for 2½ to 3 months, would you