

up controversial questions of income tax structure. The legislative and administrative problems in making such changes would be relatively simple. No uncertainty would be encountered in complying with such changes.

That is the end of the first quotation.

Then the second quotation was the italicized summary on page 135:

The commission, therefore, concludes that when discretionary tax adjustments are used to promote shortrun economic stabilization, they should consist of variations in the first-bracket rate of the personal income tax.

Thank you very much, gentlemen.

The committee will reconvene at 2 o'clock.

(Whereupon, at 12:30 p.m., the hearing in the above-entitled matter was recessed, to reconvene at 2 p.m. the same day.)

AFTERNOON SESSION

Chairman PATMAN. The committee will please come to order.

We have as our first witness this afternoon Mr. Leon H. Keyserling, economic consultant, Washington, D.C. Mr. Keyserling is well known. He has been around Washington a long time. He has been a witness many, many times before this committee, before the Banking and Currency Committees of the House and Senate, and others.

Mr. Keyserling, we are glad to have you, sir, and I notice you have a prepared statement. You may proceed in your own way. After you finish we will have Mr. Saulnier and then after he finishes we would like to have the panel interrogate both of you.

We will interrogate you together instead of separately, if that is all right. You may proceed.

STATEMENT OF LEON H. KEYSERLING, FORMER CHAIRMAN, COUNCIL OF ECONOMIC ADVISERS, ECONOMIC CONSULTANT, AND PRESIDENT, CONFERENCE ON ECONOMIC PROGRESS, WASHINGTON, D.C.

Mr. KEYSERLING. Mr. Chairman and members of the committee, I think the most expeditious method would be for me first to read some brief highlights of my conclusions, which will take only a relatively few minutes, and then I have some supporting materials in the form of charts which I would talk from orally.

Chairman PATMAN. All right.

Mr. KEYSERLING. Beginning with my prepared statement, I have been asked to speak about fiscal policy. But naturally, fiscal policy derives from the condition of the economy, and ties in with other economic policies. So, while I shall concentrate on fiscal policy, I shall try to relate it to the matters which determine what it is and what it ought to be.

I think the members of the committee are familiar with the method I use, which is to prepare over the years a rather complete description of the economy in action, and also what I call my model of an economy operating consistent with maximum employment, production, and purchasing power under the Employment Act of 1946.

Then, I constantly test the actual condition of the economy against the model, and try to discern where relationships went wrong and where the difficulties appeared. This has given me a rather full view,