would explain the fact that these studies showed no adverse effect on risk taking as a result of our tax system.

Mr. SAULNIER. I am not acquainted with the study. I must say the result astonishes me.

Senator PROXMIRE. As you see it, it works both ways.

Mr. SAULNIER. Perhaps you would be good enough to give me a reference on that and I would be glad to comment on it.

Senator PROXMIRE. Fine. The studies were criticized by the National Association of Manufacturers, as I understand, after they were made.

Mr. SAULNIER. I may find myself in a critical mood, too, after I check it. It stands to reason that a high profits tax will tend to suppress risk taking.

Senator PROXMIRE. You recognize how it works both ways. If you have a high profit tax, and (1) a carryback and carryforward loss provision on your taxes; (2) you have capital gains provisions where there is every incentive for risk-taking in that sense as compared with other types of investment; (3) you have the kind of law we passed recently for the small business investment companies, where your losses are treated as ordinary losses and your gains as capital gains; (4) there are all kinds of other provisions in our tax laws to encourage risk-taking, including oil depletion provisions and mineral depletion provisions which would encourage people to risk their funds in mineral investment. So that there are all kinds of ways in which there are at least counterbalancing forces against the obvious discouragement that would come from people having their income reduced through a profits tax. Most profound of all perhaps is the marginal utility factor which I think may be very significant. That is, if people had no income tax on, say, $100,000 worth of earnings, the incentive for working hard to earn another $10,000 might be quite different and far less than if they had an income tax and their net income would be $45,000 or $50,000 after taxes whatever it works out to, because by almost any standard they would be satisfied with $100,000 and many would not be satisfied with the lesser after-tax figure.

Your friend, Dan Throop Smith, I understand, was the editor of this—a fine man. He was my finance professor at Harvard.

Mr. SAULNIER. Was he the author?

Senator PROXMIRE. He was the author. I know you have respect for him.

Mr. SAULNIER. I have great respect for him and this increases my interest in having this citation.

Seantor PROXMIRE. You may have a different interpretation. Dr. Keyserling, you are not asking for a quickie compensatory fiscal tax cut in the sense of balancing fiscal policy to get us out of recession. You are asking for a fundamental, substantial, permanent tax cut. Isn't that correct?

Mr. KEYSERLING. Yes. The essence of my whole position is that we should not be engaging in an antirecessionary program now. We should be engaging in a fundamental correction of the imbalances which have made themselves more and more manifest in the whole economy for 9½ years.

Incidentally, I think that this is the safest, and surest, and soundest way to prevent a recession, as a sound, long-range policy. The